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The Man Without a Country: Lowell Yerex and the Anglo-American Commercial
Aviation Rivalry, 1939-1946

(Under the Direction of DR. WILLIAM LEARY)

The central character in this study is Lowell Yerex, a New Zealand-born entrepreneur who built a vast international airline network in the Caribbean Basin during the 1930s and 1940s. This work examines his role in the Anglo-American commercial aviation rivalry of the period. This was a critical time in the field of commercial aviation, as wartime advances in air transport operations promised significant changes for international airlines. The United States and Great Britain, longtime rivals in the field, battled each other during the war to define the future of commercial aviation. In the midst of this struggle was Yerex, who courted both governments in an effort to obtain operational and diplomatic assistance. He was the only independent airline operator with whom both the British and the Americans had to deal. Thus, he offers a unique perspective from which to study their aviation policies and to compare their aviation establishments. This work examines the economic, strategic, political, and cultural dynamics involved in this story. It draws upon both traditional (i.e. diplomatic records) and non-traditional historical sources (i.e. advertisements). This study will address not only Yerex's role in the Anglo-American commercial aviation rivalry, but also several broader historical issues, most notably the Anglo-American alliance. This study indicates that while the Americans and British were able to join closely in fighting the Axis powers, there remained underlying differences between the two that were of a significant and fundamental nature. Nowhere were these differences more acute than in the field of commercial aviation. As a result of his birth and upbringing, Yerex had ties to both the British and the Americans, and thus had the potential to serve as a bridge between the two. However, their suspicion of each other was simply too great, and thus his ties with both sides made him suspect in the eyes of both. As a result, Lowell Yerex was a man without a country.

INDEX WORDS: Lowell Yerex, Transportes Aereos Centroamericanos (TACA),
British West Indian Airways (BWIA), commercial aviation,
Anglo-American relations, special relationship, Caribbean Basin

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AMERICAN COMMERCIAL AVIATION RIVALRY, 1939-46

by

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DEDICATION

To my wife, Dawn, who has been beside me since the beginning of this endeavor.
Your support, patience and love saw me through. All my thanks and love to you.

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While it is my name that appears on this work, many people have contributed to it in vital ways. Without their help, I could not have completed it. These acknowledgements, while poor compensation for their assistance, are heartfelt.

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CHAPTER ONE:

INTRODUCTION

“It is all dead stuff, never to be stirred again except by some researcher desperate for a subject.”-A.J.P. Taylor¹

The “it” in Taylor’s statement refers to the Anglo-American aviation rivalry. There is a certain truth in Taylor’s words. This study is the result of an accidental discovery that I made while searching for a suitable dissertation topic. One day in the university library while examining some microfilm records, I discovered a State Department file on this particular topic. I quickly realized that the file contained hundreds of documents with references to several other pertinent files. Some bibliographical research indicated that no one had written about this subject, at least not with the materials I had discovered. Thus, I found a topic on which to write.

Having given the devil his due, I must now take issue with Taylor’s statement. The story of Lowell Yerex is not without significance, and my interest in it is not born of mere desperation. There are many things that justify the study of these “dead” records. For one, the story is itself compelling. All too often historians forget that at the heart of history are stories about people, places, events, and lives. We forget that we need to be telling good stories. This is a good story. As one British official declared after reading some reports on Yerex’s exploits, his story “reads like a romance of the pioneer days of the last century.”² Yerex would have been an excellent subject for a Rudyard Kipling novel, for here was a British subject who came to the proverbial untamed land and built a

¹ Alan P. Dobson, “The Other Air Battle: the American Pursuit of Post-War Civil Aviation Rights,” *The Historical Journal* 28:2 (June 1985): 429-39.

² minute by H.H. Balfour, 3 July 1940, AVIA 2/2312, Air Ministry (AM) records. All subsequent references to British records will provide the specific document, collection, file, and agency of origin information.

commercial empire by means of perseverance, ability, and vision. One cannot study his work without developing some admiration for the man.

To say that Lowell Yerex was a colorful figure would be an understatement. Born in New Zealand and educated in the United States, he fought as a pilot in World War One and barnstormed the United States during the 1920s. He came to Central America during the Depression and built a vast and profitable airline network from scratch. His success soon brought him into contact with the U.S. and British governments. He became embroiled in their struggle with one another in the field of commercial aviation. The two would force him from the business, but not before he achieved a legendary status in the field.

The central figure is not the only appealing element in the story. There is also the time period to consider. To someone living in the 21st century, the 1930s and 1940s seem to be simpler times with a romance and innocence missing in the present. It was an age of legends, when Babe Ruth swatted home runs, Vivien Leigh appeared on the movie screen, and Franklin and Eleanor Roosevelt lived in Washington. Aviation was a new and exciting field, and Charles Lindbergh and Amelia Earhardt awed and inspired the world with their feats. Thus, this story is appealing not only because of Yerex but also because of his era.

Yet this account is not a “great man” story hearkening back to “simpler” times. As impressive an individual as Yerex was, he was at the mercy of certain circumstances, both local and international. Far from being a Rudyard Kipling adventurer who imposed his will on the environment, Yerex often adapted to his surroundings. Most notably, he learned to adjust to the various political environments in Latin America, to play by the “rules” of a given country or region. As a result, the “powers-that-be” in the region greatly influenced his work. The Americans and the British did so as well. We find, therefore, a legendary person who could not ignore others, either great or small. Moreover, while the era may seem more “simple”, this story reveals its underlying

complexities. While we look back and see legends, the contemporaries saw fellow humans with flaws as well as feats. The innocence we so readily perceive would likely be absent from contemporary perceptions. This is not a simple tale of a great man living in simpler times. Yet complexity actually adds to its appeal.

There is a second justification for this study. The story is not only good, it is significant. While Taylor regarded the study of commercial aviation as of little, if any, importance to the field of history, it actually has much to offer. For the field of commercial aviation, this period shaped future operations for international airlines. The allied powers established an organizational framework for international commercial aviation that determined who flew where and under what conditions. The results of their work remain in effect today, governing how international business travelers, tourists, and diplomats fly. Yet this was not merely a significant political or economic juncture in history, but a cultural one as well. In the years leading up to World War Two, international airlines were the exclusive purviews of the rich and powerful. Yet after the war, these airlines became increasingly accessible to the general population. In the process, international commercial aviation underwent a cultural change, as perceptions of who would fly changed.³ Far from being unimportant, the issues concerning commercial aviation would have great ramifications for people the world over.

The subject of commercial aviation also offers a new perspective on various issues of the period's international relations. Foremost is the Anglo-American relationship in the 20th century. Some historians have described this as a "special relationship" between two powers that enjoyed a close bond based upon shared interests and beliefs. This was a very popular view in the field of history during the 1950s and '60s.⁴ Since the 1970s, many historians have challenged this notion, emphasizing the

³ Kenneth Hudson and Julian Pettifer, *Diamonds in the Sky: A Social History of Air Travel* (London: The Bodley Head, 1979).

⁴ H.C. Allen, *Great Britain and the United States; a History of Anglo-American Relations, 1783-1952* (New York: St. Martin's Press, 1955); H.G. Nicholas, *Britain and the U.S.A.* (Baltimore: Johns Hopkins University Press, 1963); Bradford Perkins, *The Great Rapprochement* (New York: Atheneum Press, 1968);

strong disagreements and differences that existed between the two powers throughout the century, as well as periodic flare-ups in tensions.⁵ Today, most historians would carefully qualify any argument for a historical “special relationship” between the United States and Britain. Still, the term lives on in both professional and popular circles.⁶ Even historians who have attacked the original notion of the special relationship acknowledge that a special affinity on both sides for each other has characterized Anglo-American relations. They would acknowledge that in certain vital areas and issues, the two powers shared a special relationship. After all, since the two shared language, culture, political ideology, economic system and enemies, they were certain to enjoy uniquely close ties. In fact, the ties were so close that they permitted the peaceful transfer of power between the two during the twentieth century, with the United States replacing Britain as the global hegemon.⁷ In sum, the British and the Americans have been able to agree upon and cooperate concerning the most vital of issues in international relations.

Still, there have been important limits to this mutual goodwill. There were significant differences between the two sides, and not simply on issues of peripheral importance. As one pair of authors has pointed out, these differences at times were “fundamental.”⁸ This is particularly true of certain issues (i.e. economic policy) and periods (i.e. the interwar years). To put the matter more simply, the Americans and

Seth W. Tillman, *Anglo-American Relations at the Paris Peace Conference of 1919* (Princeton: Princeton University Press, 1961).

⁵ Alan P. Dobson, *Anglo-American Relations in the Twentieth Century: the Politics and Diplomacy of Friendly Superpowers* (London: Routledge, 1995); Alan P. Dobson, *Peaceful Air Warfare: The United States, Britain, and the Politics of International Aviation* (Oxford: Clarendon Press, 1991); Robert Hathaway, *Ambiguous Partnership: Britain and America, 1944-1947* (New York: Columbia University Press, 1981); David Reynolds, *The Creation of the Anglo-American Alliance, 1937-1941: A Study in Competitive Cooperation* (Chapel Hill: University of North Carolina Press, 1981); Christopher Thorne, *Allies of a Kind: The United States, Great Britain, and the War Against Japan, 1941-45* (London: Oxford University Press, 1978).

⁶ John Dumbrell, *A Special Relationship: Anglo-American Relations in the Cold War and After* (New York: St. Martin's Press, 2001); John Charmley, *Churchill's Grand Alliance: the Anglo-American Special Relationship, 1940-57* (London: Hodder and Stoughton, 1995).

⁷ Randall Woods, *A Changing of the Guard: Anglo-American Relations, 1941-1946* (Chapel Hill: The University of North Carolina Press, 1990); David Dumbleby and David Reynolds, *An Ocean Apart: The Relationship Between Britain and America in the Twentieth Century* (New York: Random House, 1988), xiv.

British did not always think alike. As a result, they often clashed. Even during World War Two, they spent much time and effort trying to outmaneuver each other for commercial advantage. Such activity belies the notion of the legendary wartime cooperation found in popular recollection, the media, and even some historical work.

Nowhere were these differences more apparent than in international commercial aviation. The two sides were rivals in this field before the war, and the conflict only exacerbated this rivalry. In the not-so-friendly skies, the “special relationship” was not so special. Although this work does not argue that there was no “special relationship” between the two powers, it emphasizes that significant disagreements existed between the two and that the historian cannot dismiss these as unimportant. It reminds the historian that, while a close relationship may have been natural in certain regards, in others it was unnatural. This argument does not minimize the areas of agreement. In fact, in pointing out the areas of disagreement that the two sides had to overcome, it elevates the areas of agreement. After all, if there were fundamental areas of conflict, the areas of agreement must have been particularly strong and the threat to them particularly serious.

This work focuses on the disagreements, and presents the two powers not as allies, but as rivals. In the midst of this international rivalry stood Yerex. He was the only independent operator with whom both sides had to deal. As such, he offers a unique perspective from which to observe the two powers and their rivalry. This study uses Yerex as a prism through which to examine the respective aviation establishments and policies of these two powers. This permits not only the examination of the rivalry, but also the thinking that underlay the rivalry. Yerex’s exchanges with the two governments reveals their perspectives not only about him, but also each other and the field of aviation. Moreover, his initiatives toward each side would often shape their policies toward his enterprises, each other and the field of commercial aviation as a whole.

⁸ Dimbleby and Reynolds, 234.

Yerex clearly was a “man without a country.” At this time, any international airline operator required a governmental sponsor that would provide operating subsidies, diplomatic assistance, and aircraft. When in 1940 Yerex sought to inaugurate an international operation of his own, he first approached the British for sponsorship. They declined to work with him, in large part because they lacked the resources (due to the recent outbreak of war) and did not want to upset the Americans, whose help they so desperately needed at that hour. Yet there also appeared to be some uncertainty about Yerex personally. As one British official stated, no one knew whether he was an “honourable gentleman.” Quite simply, the British were not willing to risk precious resources and American goodwill on someone who was not part of their aviation establishment. In the coming years they would encourage him to found an airline in the British West Indies, but they resolutely refused to make a further commitment. They even encouraged him to sell a controlling interest in his Central American holdings to their rivals. When he did so, however, they suddenly feared that he would sell his interests in the British West Indies and undermine their interests in this area. Various British officials made charges that Yerex, while technically a “British” subject, was an “American” in his business dealings. They soon forced him to relinquish control of his West Indies operations to “British” interests.

On the other side of the Atlantic, the issue of Yerex was no clearer. After an initial rebuff from the British, Yerex turned to the U.S. government for support. This came at a critical juncture for U.S. officials. They were becoming increasingly irritated with Pan American Airways, which at that time was the only U.S. international airline. Some viewed Yerex as a godsend, as a means by which to break Pan Am’s monopoly and provide the United States with another “instrument” in international commercial aviation. Yet they were not prepared to support a “British” airline to this end. As a result, they demanded that Yerex sell a controlling interest in his operations to American stockholders. As the years passed, they became increasingly suspicious of him and his

operations, which they viewed as potential British agents. Even when Yerex did sell out his Central American operations, they would not accord him their full support.

One may think that Yerex was caught between the devil and the deep blue sea, as one of his subordinates lamented in 1945. However, it was not circumstance alone that left him without a place to call home. Yerex was, quite simply, a man of uncertain affinities. He was, clearly, a British subject at heart. His repeated efforts to reach out to the British, even when success seemed unlikely, give evidence of that. Yet his head was American. He used American pilots and American-built planes because they were the most economical resources available. His approach to business impressed many as being typically “American.” He was an entrepreneur who kept an eye on his bottom line. While officials on both sides of the Atlantic would be overly harsh in condemning him for his self-interest, Yerex was, after all, a businessman, and his primary concern was to promote his own interests. Thus, not only did each side have to consider his ties to the other; they also had to consider his loyalty to himself. In the end, the general uncertainty over Yerex’s loyalties undermined his standing in both camps.

This story leaves the historian asking the same question that both the British and the Americans were asking in the 1940s: who (or what) was Lowell Yerex? This issue is important for two reasons. First, as one studies the efforts of the two governments to answer this question, it is clear that they employ not only political standards to reach their answer, but cultural ones as well. Here one finds an intersection between culture and diplomacy. Second, while the governments are endeavoring to define Yerex, he is endeavoring to define himself. When he dealt with the British, he clearly sought to define himself as a British subject, but as an independent British subject. When he dealt with the Americans, he tried to identify himself as one of their allies, but not one of them. In essence, Yerex was endeavoring to play the role of a hybrid. As such, he had ties to both camps, yet was not exclusively one of them. If the theme of this study is “a man without a country,” then the thesis is this: Yerex’s dual affinities, while placing him in a unique

position to interact with the two powers, also made him an unsuitable candidate to work for them. On an issue in which both sides demanded unswerving loyalty, Yerex did not fit. He sought a middle ground between the two. Where he ended up was a no-man's-land.

For the historian, this issue of definition raises a poignant question: whose definition is important? Was it more important who Yerex viewed himself as, or what the powers-that-be thought of him? For the conventional diplomatic historian, the important definition would be that of the governments. After all, it was their policies that shaped future events. Yet the social historian would give greater attention to Yerex's self-definition. I believe both are important. On the one hand, how the governments perceived Yerex would define his relations with them and the future of his enterprises. No matter the force of his will, Yerex simply could not impose his perspective on the two governments. Yerex's self-definition was important as well, in that it challenged the policy makers and shaped their thinking about him and the field as a whole. While Yerex could not escape the implications of their perspective, neither could they ignore his. In effect, the two definitions of Yerex are intertwined.

This study is a "diplomatic" history in that its primary focus is upon the interaction of governments with each other and with interested parties. Yet it is more. It takes into account not only policies, but influences and perceptions as well. While formal diplomacy plays a leading role in international relations, it is neither alone nor independent within them. While policy is the work of one or a few, perception is the work of many. In effect, I have cast the proverbial net very broadly in order to address what I consider to be the pertinent issues.

As a result of the broad scope of this study, I believe that it offers something of interest to a variety of professional historians. While I consider myself a historian of international relations, the subject as a whole will interest aviation historians. In discussing this subject with various people in this field, I have been pleasantly surprised

to discover how many have an interest in it. To some, Yerex is a legend in the field of commercial aviation. Many have awaited a comprehensive study of his dealings with the U.S. and British governments. Because of my “diplomatic” focus, this will not represent a traditional aviation history. I provide little new information about Yerex’s personal life or his airlines. There will be little mention of aircraft models, routes, or landing fields. In essence, I will not give much attention to the day-to-day operations. Yet I believe that aviation historians will find much of value in this story. Most notably, they will be better able to understand the events surrounding this important figure in the field.

The study has significant implications for historians of international relations as well. Despite Taylor’s scorn, postwar commercial aviation was an important issue at the time. Yerex would both influence and reflect the developments in aviation policy on both sides of the Atlantic. Yet this historical issue concerns more than who flew where. As noted, it reinforces the notion that Anglo-American relations during this period had serious problems. This, in turn, affects the historical perception of other issues, most notably the Cold War and the Good Neighbor. Regarding the former, if one realizes that the “special relationship” was not so special, one has to reconsider the early Cold War period. If the British and the Americans were not so “cozy,” what implications does this have for Soviet relations with the West during this period? Might they have been comparatively better than many have argued? If so, what led to the postwar hostility between East and West? How were the British and American differences reconciled? Might Stalin have averted this alliance in opposition to the Soviet Union? Or did the wartime rivalry between the two Western powers encourage him to pursue more assertive policies, as recent scholarship has suggested?⁹ As for the Good Neighbor, this story provides an interesting look at American attitudes about and treatment of their neighbors to the south. While the United States proclaimed its friendship and respect for its Latin American neighbors under the auspices of this policy, their attitudes and policies

concerning commercial aviation manifested little of either. In reality, there remained an underlying belief that the United States was superior to its neighbors and that it was the natural leader of the hemisphere. This supports the thinking of historians who emphasize the continuity in U.S. policy toward Latin America during this period.¹⁰

Perhaps the element of this study that will raise the greatest interest is the link that it makes between diplomacy and culture. It is clear that there were cultural influences that shaped both the thinking and the policy-making of officials on both sides. For example, both sides held cultural notions regarding commercial aviation. While the British emphasized safety and comfort in aviation, the Americans emphasized performance. In essence, they had different ideas about how to “do business.” These differing perspectives produced different responses to Yerex’s operations. The two sides also had cultural preconceptions about each other. Many Americans regarded the British as shysters. David Dimbleby and David Reynolds have noted that even as Britain faced imminent defeat in 1940, Franklin D. Roosevelt had to labor against the widespread suspicion that the Americans were “being taken as suckers by the wily British,” who really did not need any help in the war, but were simply using the United States to finance it. In turn, the British often commented on the “American” way of doing business. Martin Weiner has explained that from the British viewpoint, this way of doing business included a crass materialism that the British found distasteful.¹¹ Yet not all of their cultural preconceptions were at odds. They did share certain perceptions about the Caribbean Basin in which Yerex operated. Both sides considered the region and its people to be backward, and best suited to follow Anglo leadership. In some instances, however, shared perceptions did not produce common attitudes. This is evident in certain class preconceptions. As noted,

⁹ Vladislav Zubok, “Stalin’s Plans and Russian Archives,” *Diplomatic History* 21:2 (Spring 1997): 295-305.

¹⁰ David Green, *The Containment of Latin America: a History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books, 1971); Peter H. Smith, *Talons of the Eagle: Dynamics of U.S.-Latin American Relations* (New York: Oxford University Press, 1996), 87.

¹¹ Dimbleby and Reynolds, 138; Martin J. Wiener, *English Culture and the Decline of the Industrial Spirit, 1850-1980* (New York: Cambridge University Press, 1981), 88-90.

there were concerns in London as to whether Yerex was a “gentleman”. As time passed, there were recriminations against him that stemmed from cultural preconceptions about being gentlemanly. On the other hand, Yerex as a man seemed to attract the Americans. While the British saw crassness, the Americans saw egalitarianism. All of this is simply to say that there is an important link between the diplomatic policies of the two powers and the cultural influences at work in the respective societies. Thus this study will be of interest not only to historians of international relations and aviation, but cultural and social historians as well.

Due to the focus of this study, most of the sources are from diplomatic records. Unfortunately, there is no known collection of Yerex’s personal or business records. However, both governments retained correspondence from him, and so these provide an idea of his thoughts regarding the issues at hand. Admittedly, this cannot tell the whole tale concerning his perspective, as he may have composed his correspondence to the respective governments with the “audience in mind.” Still, I have been able to draw upon the knowledge of his nephew, David Yerex, who has written a biography of his uncle. More importantly, while Yerex is the main character, the primary focus of this study is not upon Yerex’s planning, but upon his dealings with the respective governments. Thus, the correspondence with these governments should provide ample material from which one may reach sound conclusions. While this study will draw largely from diplomatic records, it will also use other sources of information. For example, it will make use of such things as motion pictures, with the intent of addressing the cultural elements in this story. It will also examine the diplomatic records for evidence of cultural influences. The American records offer only a little insight into this, but the British records have yielded a surprising amount of evidence regarding this element of the study. Thus, by using new materials and new approaches to old materials, this study will be able to consider a heretofore-ignored aspect of this subject.

This emphasis on the cultural influences is not mere window dressing. As one will be able to see in the following pages, culture had a tangible influence on the attitudes and responses of policymakers on both sides of the Atlantic. Only as one accounts for them can one hope to tell the whole story of Lowell Yerex and his dealings with the two governments. In the process, an already colorful historical character gains further color, and the subject of commercial aviation as a whole gains further complexity.

CHAPTER TWO: A FAR DIFFERENT WORLD

One of the great challenges for any professor of history is to enable his or her students to “think historically.” Quite simply, the student of history needs to realize that the world that he or she is studying was different from his or her own. This is true also of any reader of history. When reading a historical work, one must keep in mind that the time period about which one is reading is different from one’s own. In this case, the world of the 1930s was far different from the world of the present. In world politics, Great Britain dominated much of the globe, while the United States had only a limited interest in most international issues. In the field of transportation, commercial aviation was a new and exciting field. While flying on an airliner is a commonplace experience today, at the time it was an adventure which few had the opportunity to enjoy. This was particularly true of international airlines, where long travel times and high ticket prices limited the clientele to a select few with ample financial resources and leisure time. Yet while such exclusiveness was true on both sides of the Atlantic, there were some key differences in how the British and the Americans flew. Moreover, there was a growing rivalry between the two in the field. Most importantly, there was dissatisfaction on both sides with the interwar arrangements for international aviation. All of these factors--international, social, and industrial--would set the stage for Lowell Yerex’s experiences.

To understand how different the international setting was in the 1930s, one need only look at a map from the period. In the War Cabinet Museum in Whitehall, there is a world map on the wall dating from the earliest years of the Second World War. As the museum narrator will mention, much of the map is swathed in red, which represents the British Empire. Included in these holdings were vast tracts in Africa, Southeast Asia, and

the Middle East. There was India, the “crown jewel” of the empire, and also a smattering of outposts throughout the Atlantic, Indian, and Pacific oceans, as well as the Caribbean Basin. Then, of course, there were the Commonwealth states: Canada, Australia, New Zealand, and South Africa. Literally, the sun never set on the Union Jack. However, the swaths of red on a map could not mitigate the fact that the empire was weakening. World War One had cost the British dearly in resources and prestige. Other powers had passed it in financial and industrial might, and the Royal Navy was no longer the sovereign of the seas, either in principle or practice. Within the empire, there was growing resistance to imperial control. The dominions were asserting greater autonomy, and in certain colonies there were new demands for independence. Unbeknownst to those living at the time, the British Empire was entering its twilight.

On a map, the United States appeared much the same as it is today, with a few exceptions. Hawaii and Alaska were territories rather than states, and the Philippines had not yet received its independence. Yet these similarities belie the change that had taken place in the international role of the United States since the 1930s. While the territorial holdings of the United States were actually greater at that time, its stature in the international arena was far less. The United States did not have the global presence that it possesses today. It had no bases in Europe, the Middle East or East Asia. It did wield a dominant influence in the Caribbean Basin but here too there were limits to its power. During the early years of the 20th century, the United States had exercised its will in the region with little restraint. This had prompted a bitter condemnation of the United States by the Latin Americans and had proven largely unsuccessful in achieving U.S. aims in the region. As a result, U.S. policy makers changed their approach to dealing with their neighbors to the south. They dropped the “big stick” of Theodore Roosevelt in favor of the “Good Neighbor” of Franklin D. Roosevelt. Instead of using U.S. Marines to impose its will on its neighbors, the United States relied on diplomacy and friendly relations to achieve its aims. It had discovered that it could not do as it pleased in the Caribbean

Basin; it had to take into consideration the sensibilities of its neighbors. Considering the limitations on its international influence, few could have predicted the role that the United States would assume within the near future.

Of course, this was not a bipolar (or unipolar) world. Unlike the days of the Cold War, two powers did not dominate the international arena. In addition to Britain and the United States, Germany, Italy, Japan, France, and the Soviet Union exercised significant influence in international affairs. Yet the British and the Americans stood apart, the former because of its actual power, the latter because of its potential power.

Perhaps the most stunning difference between the 1930s and the present is the fact that the Americans and the British were intense rivals. For the post-World War Two generations who have heard so much about the wartime cooperation between the United States and Britain, between Roosevelt and Churchill, the intensity of the rivalry may come as a shock. After all, did not these two powers join together to battle the totalitarian menace? Did they not share a common language, culture, political identity, ideals, and interests? There were indeed commonalities that, as John Moser has written, logically would favor a “special relationship” between the two powers. Yet the interwar rivalry between the two was such that Churchill would warn in a 1927 Cabinet meeting that war with the United States, however undesirable, was not “unthinkable.”¹²

The Anglo-American rivalry manifested itself in the strategic arena. In the 1930s the Royal Navy was the largest in the world, with the United States trailing it by a significant margin. Considering their later alliance, it is surprising to note the suspicion with which the two services regarded each other. The reason for the rivalry was simple: the Royal Navy wanted to maintain its dominance of the seas, while the U.S. Navy wanted parity. The two powers did sign treaties in 1922 and 1930 establishing limits on the number of vessels they could construct. In principle, the British accepted the U.S. right to parity. In practice, the United States did not build as many ships as their

counterparts. While these agreements prevented any serious diplomatic conflict, they could not eliminate the tension.¹³

The more enduring and bitter rivalry was in the economic arena. Here too the Americans were on the rise, while the British were struggling in the wake of World War One. This conflict had turned the tables between the two powers. The British borrowed heavily from the Americans to finance the war, and as a result the United States went from being a debtor to a creditor nation. The British faced over sixty years of payments on this debt. Moreover, to finance the war, Britain had liquidated nearly 10 percent of its overseas assets. As the British financial and trade position eroded, American business took its place. In Latin America, for example, where before the war the two powers had held an equal share in the export market, the U.S. share had increased to 38 percent by the end of the 1920s, while the British share had dropped to 16 percent. To gird itself against the American onslaught, Britain adopted a protectionist economic policy. Because it controlled over a quarter of the globe, this allowed it to control vast resources and markets. Of course, by closing the door to American trade in these areas, this policy led to acrimony on the other side of the Atlantic and conflicts over a variety of economic issues.

One such issue was rubber. During the 1920s, the United States, in the midst of its first automobile-buying spree, consumed two-thirds of the rubber produced in the world. However, Britain controlled three-quarters of the world's supplies. Early in the decade the British government found that market prices for rubber were lower than production costs, so it inaugurated a program to cut production and increase prices. The resulting rise in prices caused a furor in the United States and a bitter diplomatic squabble. Secretary of Commerce Herbert Hoover charged that the British policy violated the principles of free trade. The British fired back by pointing out that the Americans controlled cotton production to maintain a minimum price. They also noted that U.S. tariffs were the

¹² John Moser, *Twisting the Lion's Tail: American Anglophobia Between the World Wars* (New York: New York University Press, 1999); Dimpleby and Reynolds, 87.

¹³ Dimpleby and Reynolds, 85-92.

highest in the world. While the two sides eventually would resolve this issue, the rivalry continued into the 1930s. As the Depression ravaged the world economy, the United States raised its tariffs still higher in 1930. The British adopted a policy of “Imperial Preference,” in effect creating a trading bloc within its domain. It raised the tariff rates on imports from outside the empire, but kept them low for trade within it. This would produce further conflict with the United States in the years to come.¹⁴

The Anglo-American rivalry was nowhere more apparent than in the field of commercial aviation. The importance of commercial airlines in the interwar period may seem implausible to someone living in the present. After all, today people routinely fly to nearby points or distant locales around the world. Yet one must remember that aviation was a new enterprise in the 1920s and ‘30s. Only a generation earlier humankind had first taken to the air. Aviation technology had improved since then, but significant limitations on the range, regularity, and availability of commercial service remained. Moreover, aviation represented a new technology by which one could measure a nation’s progress and prowess. As Marc L.J. Dierikx has stated, during the interwar period international airlines were a means of displaying national vitality and technical prowess. Any nation that fell behind in the field would look weak and backward to its subjects and other powers.¹⁵ Thus, the Anglo-American rivalry in this field had greater implications than simply who would fly where. To better understand the rivalry, one must first examine the instruments that the two nations used to promote their interests in this field.

With the end of World War One, new technological advances in aircraft, coupled with a glut of planes and pilots, fueled interest in commercial aviation. Entrepreneurs saw a business opportunity, while nations saw a new instrument for spreading economic, political, and strategic influence. Thus, during the interwar period, with halting steps at first, but with increasing rapidity, nations began to develop international airlines.

¹⁴ Ibid., 100-110.

¹⁵ Marc L.J. Dierikx, “Struggle for Prominence: Clashing Dutch and British Interests on the Colonial Air Routes, 1918-42,” *Journal of Contemporary History* 26:2 (April 1991): 333-4.

The need to establish some framework for the organization of international commercial aviation was apparent even before the end of the war. The Allied powers formed a commission in 1917 to address this issue. Two years later this produced the “Convention Relating to International Air Navigation,” later known as the Paris Convention. The primary issue that it addressed was whether commercial airplanes would have the right to “innocent” passage over any nation, or whether nations would hold sovereign control over their airspace. The Convention supported the latter. For the commercial airlines of the period, all operations were subject to diplomatic negotiation. If a British commercial airline wanted to establish a route crossing France, either it or the British government would have to negotiate with the French to obtain this privilege. Moreover, it would be subject to French regulation.¹⁶

In keeping with its proclaimed disinterest in “entanglements” with Europe, the United States did not sign the Paris Convention. Moreover, there was little effort, private or public, to start an American international airline. Yet events in nearby Latin America changed this. Latin America was a particularly attractive setting for airline ventures. Its soaring mountains, vast deserts and impenetrable jungles divided and isolated nations both internationally and intranationally. The airplane could overcome these topographical barriers and improve the speed and regularity of communication and transportation, thereby uniting the peoples of Latin America. Commercial aviation held much promise for both the region and the companies who chose to explore the possibilities.¹⁷

In the years immediately following the war, European aviation interests moved quickly into Latin America. Various governments arranged publicity flights and sent military advisors to promote their aviation interests; commercial airlines soon sprang up. The Germans were conspicuous in the field. In the wake of defeat, German aviation interests seemed doomed. The Versailles treaty abolished Germany’s air force and placed

¹⁶ Dobson, *Peaceful Air Warfare*, 7-8.

stringent restrictions on commercial aircraft development. The Allies later eased these restrictions, and German aircraft manufacturers, unable to overtly develop military types, focused their energies on commercial airliners. As a result, they made their presence felt in commercial aviation throughout the world. The success of German interests in establishing viable airlines in Latin America was remarkable because they received little financial backing from the governments in either their homeland or their locales. This laudable success held significant ramifications for future events. For their part, the British were conspicuous as well, not for their presence, but rather their absence. Their interests lay elsewhere.¹⁸

American aviation endeavors in Latin America were few during these years. In general the U.S. government believed that commercial aviation was the purview of private enterprise, not the government. In keeping with this view, it made little effort to support American aviation interests in Latin America. This lack of interest manifested itself in a communiqué sent by the U.S. consul in Buenos Aires to the State Department in 1919. The consul urged American aviation companies not to waste the time of the consulate with requests for diplomatic assistance since the Argentines were committed to French aviation interests.¹⁹ There seemed to be little concern on the part of the U.S. government for Latin America's airways.

This complacency soon ended. In 1923 the German-controlled Colombian airline La Sociedad Colombo-Alemana de Transportes Aereos (SCADTA) began planning a service to the United States. Along its proposed route was the Panama Canal. The head of SCADTA, Peter Paul von Bauer, asked U.S. authorities for permission to fly over and land in the Canal Zone. U.S. Cabinet officials responded by forming an interdepartmental

¹⁷ William A.M. Burden, *The Struggle for Airways in Latin America* (New York: Arno Press, 1977), 3-6, 20; Wesley Phillips Newton, *The Perilous Sky: U.S. Aviation Diplomacy and Latin America, 1919-1931* (Coral Gables, Fl.: University of Miami Press, 1978), 9.

¹⁸ Burden, 11-13; Newton, *The Perilous Sky*, 9-28.

¹⁹ Newton, *The Perilous Sky*, 21-40; Henry Robertson (U.S. Consul, Buenos Aires) to Robert Lansing (U.S. Secretary of State), 15 February 1919, *Records of the Department of State Relating to the Internal Affairs of*

committee to consider the matter. While some were amenable to the request, many were disturbed by the strategic implications of allowing a German-controlled airline to operate in the Canal Zone. War Department officials expressed fears regarding the vulnerability of the canal to air attack. SCADTA persisted in its appeals and eventually received permission to conduct a survey flight across the Canal in 1925. Soon thereafter, von Bauer journeyed to Washington with proposals for a permanent mail service between Colombia and the United States. The government stalled the Germans, seeking an American champion to counter this threat.²⁰

The year 1927 was decisive for American aviation interests. Of course, Charles Lindbergh made his solo flight across the Atlantic. Yet for American aviation interests in Latin America, more significant was the founding of Pan American Airways. At its head was the cunning and determined Juan Trippe, who had important connections in both Wall Street and Washington. Using the former to garner capital, Trippe exploited the latter to acquire an airmail contract from the Post Office. Pan Am soon inaugurated a regular service between Key West and Havana.²¹ The government had its champion.

So was born a partnership that blossomed in the following years. The government sustained Pan Am with financial and diplomatic assistance, thereby creating a de facto monopoly of international commercial aviation. The company advanced American commercial interests in Latin America while containing the economic and strategic threat of European competitors. Yet the government neither controlled nor built Pan Am's empire. The company's growth resulted from private initiative and profit motive. While Pan Am promoted American interests, it did so because they were consistent with its own. Moreover, the airline wielded great influence in the shaping of government policy.

Argentina, 1910-1929, 835.796. All subsequent references to State Department files will provide the specific document information and the State Department decimal file number.

²⁰ Wesley Phillips Newton, "Aviation Rivalry in Latin America, 1919-1927," *Journal of Inter-American Studies* 7 (July 1965): 351-356; Newton, *The Perilous Sky*, 61-84.

²¹ Marilyn Bender and Selig Altschul, *The Chosen Instrument: Pan Am, Juan Trippe, the Rise and Fall of an American Entrepreneur* (New York: Simon and Schuster, 1982), 83-88, 111; Newton, *The Perilous Sky*, 111, 123; Newton, "Aviation Rivalry," 355.

It handled such matters as negotiating with foreign governments; usually, the American government only stepped in at the behest and direction of the airline. Thus, while Pan Am served U.S. interests well, the government served Pan Am's interests just as well. In fact, the relationship between the company and the government during the late 1920s and early 1930s makes it apparent that much of the initiative and control was in the hands of the former, with the latter serving as its instrument for commercial advancement.

Trippe's influence over the government was, in the words of Wesley Phillips Newton, "evident early in the game." In late 1927, the inter-departmental committee drew up a list of recommendations for foreign airmail legislation. The committee was predisposed to back one company, which boded well for Pan Am. However, W. Irving Glover, the Second Assistant Postmaster General and the man responsible for issues pertaining to the delivery of the mails, desired a "modest" mail subsidy, one that Pan Am found a bit too modest. Trippe met with Glover and explained to him that a higher subsidy was necessary to sustain an air service. Trippe proved quite convincing; by the time the foreign airmail bill came before Congress, Glover was an adamant backer of a higher subsidy. Congress passed the Foreign Air Mail Act in early 1928, with a sizable allocation of funds. The act mirrored many of the interdepartmental committee's proposals. Most notably, it gave the Postmaster General the discretion to grant contracts to "the lowest responsible bidders that can satisfactorily perform the service required to the best advantage of the Government." This provision would be of great advantage to Pan Am in the coming years, as postal officials often used it to justify giving the company many contracts for which it was not the lowest bidder.²² Pan Am benefited from a favorably disposed government, but it had also aided its own cause.

Postmaster General Henry New quickly put two Caribbean routes up for bidding, including one to the all-important Canal Zone. Pan Am easily secured the two contracts, and proceeded to launch its campaign to claim Latin America's skies. In initial

²² Bender, 91-96; Newton, *The Perilous Sky*, 121, 160-163.

negotiation efforts in Latin America, company agents sought not only air and landing rights, but also mail subsidies, tax exemptions, land expropriation rights, and access to government facilities. As might be expected, such demands often were not well received. Pan Am's one-sided offers led to stalled negotiations. Not all who were privy to Pan Am's efforts were so obtuse. W.S. Culbertson, U.S. Ambassador to Chile, cautioned the company to curb its demands in negotiating with the Chilean government. Unfortunately, his admonition did not reach Pan Am's agents until after they had submitted their demands (with the predictable results).²³ This particular incident demonstrated the lack of coordination, let alone control, which the State Department exercised in regard to Pan Am's activities.

This is not to say that the State Department did not involve itself on behalf of Pan Am. In early 1929, the chief of Latin American Affairs for the State Department noted in a memorandum, "we have moved heaven and earth to help Pan American Airways." He added, "this company is in an exceptional position in that the Department is very seriously and vitally interested in the success of its undertaking." Company officials, particularly Trippe, were well aware of their position, and used this knowledge to their advantage. Trippe took great pains to remind American officials that Pan Am was "100% American owned" and played upon their fear of the Germans. When the Cuban government hesitated in granting a mail contract to Pan Am in 1928, Trippe turned to Assistant Secretary of State Francis White for help. In relating the situation, the airline chief conveniently mentioned that the Germans were showing interest in Cuba as well. White's response revealed that Trippe's comment had hit home. The secretary stated that the department was "most anxious" to see "Pan American Airways...rather than the Germans" in possession of the Cuban mail contracts. In this and other instances, Trippe proved quite adept at pushing the right buttons to get American officials to do his

²³ Bender, 98-101, 129; Newton, *The Perilous Sky*, 162-163; W.S. Culbertson (U.S. Ambassador to Chile) to Frank Kellogg (Secretary of State), 21 December 1928, 825.796/32; Benjamin Shaw (Acting Chief, Division of Latin American Affairs) to Pan American Airways, 19 February 1929, 825.796/35.

bidding. This gift was invaluable in light of the government's extraordinary efforts on Pan Am's behalf.²⁴

Nowhere would Trippe's hold over the government be more evident than in the battle with SCADTA. The Colombian airline was well aware of the threat that the American carrier posed to its interests. It increased its efforts to get permission to cross the Canal Zone, but the U.S. continued stonewalling. Desperate, von Bauer incited the Colombian press and populace against the United States for its poor treatment of "their" airline. In early 1928 the Colombian government took up SCADTA's cause, bringing up the matter of commercial air rights at the Sixth International Conference of American States. As a result, the various attending states signed an air convention modeled after that of Paris. The U.S. delegation successfully sponsored a resolution that effectively allowed the United States to deny SCADTA access to the Canal Zone. The State Department regarded this as one of its key accomplishments at the conference. Yet it soon would perform an about-face.²⁵

As 1928 progressed, it became increasingly apparent that the conflict with Colombia was hurting American aviation interests. In retaliation for the U.S. stonewalling of SCADTA, the Colombian government denied Pan Am permission to operate in its territory, preventing the company from extending its service along the west coast of Latin America. Desperate to expand, Trippe pressed the State Department to seek a reciprocal agreement with Colombia. In the words of Newton, "in a seeming display of unpatriotic self-interest", the airline chief demanded that the Germans be allowed to fly "within target range" of the Canal. Trippe drew up a plan of action for department officials in late 1928. Time was of the essence since the bids for the new Pacific coast mail route were due at the end of February. Without an agreement, Pan Am would not be able to establish a route and the government would withdraw its contract offer. Following its marching

²⁴ Bender, 124-25.

orders, the State Department first sought Colombian permission for a Pan Am survey flight over Colombian territory. It then submitted a proposal drawn up by Trippe for reciprocal air rights. Kellogg, mindful of time and Pan Am's plans, pressured the U.S. minister in Colombia to "obtain [an] agreement as soon as possible", reminding them that the department was "very anxious" to achieve this goal. Much to Kellogg's pleasure, an understanding was reached in mid-February; once again, his department had come through for Pan Am. As Newton notes, the whole affair had "revealed how persuasive [Trippe] had been."²⁶ Concerns about security seemed to fade from memory. Thanks to Pan Am, SCADTA was now free to cross the Canal. This development clearly demonstrated the control that Pan Am exercised in its relationship with the government. It also revealed U.S. priorities at the time. The drive for commercial hegemony outweighed immediate security interests in these years of Republican rule.

Throughout 1929, Pan Am shored up its position in the region by reaching agreements with various Central American nations. Yet as it was tightening its hold on one region in Latin America, an American challenger emerged in another. Ralph A. O'Neill, an ex-army ace, founded the New York, Rio, and Buenos Aires airline (NYRBA) to operate along the Atlantic coast of the Americas. He bought six large flying boats from one of his powerful financial backers, Consolidated Aircraft Company, for the service. O'Neill negotiated a contract with the Argentines to carry their mail to the United States. He planned to bid for the Post Office's east coast mail contract.²⁷

Pan Am viewed NYRBA as a threat to its privileged position. It even claimed that the American embassy in Buenos Aires was showing "favoritism" to the newcomer. Yet this was an empty charge, as Trippe must have known. Pan Am had the Postmaster

²⁵ Stephen Randall, "Colombia, the United States, and Interamerican Aviation Rivalry," *Journal of Interamerican Studies and World Affairs* 14:3 (August 1972): 300-306; Newton, *The Perilous Sky*, 133-134, 199-200; Dobson, *Peaceful Air Warfare*, 9-10.

²⁶ Randall, 306-310; Newton, *The Perilous Sky*, 211-215; Kellogg to Jefferson Caffery (U.S. Minister in Colombia), 9 February 1929, *Foreign Relations of the United States, 1929* vol. II, 879-880; Kellogg to Caffery, 15 February 1929, *FRUS, 1929* vol. II, 880; Kellogg to Caffery, 16 February 1929, *FRUS, 1929* vol. II, 881.

General and the State Department solidly behind it, as a July 1929 memo from now undersecretary White to the new Secretary of State, Henry Stimson, clearly revealed. White proposed that the State Department give diplomatic “preference” to those airlines that had received postal contracts. He acknowledged the Post Office’s commitment to sponsoring one company (Pan Am) in the face of European competition meant that the department would probably draw fire for supporting a “monopoly”. However, while he recommended that the proposal be adopted only after “careful consideration”, the undersecretary clearly had thrown his support wholeheartedly behind Pan Am. Not all were so willing. Some officials disliked the idea of aiding a monopoly. Despite this, Stimson quickly adopted White’s proposal.²⁸ Of course, Pan Am had enjoyed such favor long before this decision, due in no small part to its intensive lobbying.

Meanwhile NYRBA and Pan Am prepared to do battle. While O’Neill labored on the front line in Latin America, Trippe lobbied on the home front. Because of its work in other regions, Pan Am had not been able to develop a service on the east coast. To negate NYRBA’s head start, Trippe sought to discredit his opponent and delay the Post Office while his company played catch-up. Using his Washington connections, he sabotaged NYRBA’s standing with the government by relaying rumors that NYRBA officials had criticized the State Department in the Argentine press. He also reported that NYRBA had ties to a French firm; for a government bent on commercial hegemony, this was a damning condemnation. Meanwhile, he lobbied the new Postmaster General, Walter Brown. Reminding Brown that the existing mail contracts gave the Post Office a vested interest in Pan Am’s success, he argued that NYRBA competition did not merely threaten Pan Am’s growth, but undermined the government’s position in Latin America. He convinced Brown to delay bidding on the new contract until Pan Am could establish itself in the region. This the Postmaster General did, but he went a step further. Brown wanted

²⁷ Newton, *The Perilous Sky*, 193-196

²⁸ Bender, 140; Francis White (Undersecretary of State) to Henry Stimson (Secretary of State), 6 July 1929, *FRUS*, 1929 vol. I, 542-544; Stimson to White, 12 July 1929, *FRUS*, 1929 vol. I, 544.

to “rationalize” the airline industry by eliminating “wasteful” competition. He had done this on the domestic front by granting the mail contracts to a select few. He now sought to rationalize the international airlines as well. He informed Pan Am and NYRBA that he would award the contract only if the two companies merged. This placed Pan Am at a great advantage, as NYRBA had incurred a large debt in establishing its operations. Its investors, made desperate by the onset of the Depression, were anxious to make any deal that promised a return. Trippe took full advantage of the situation, buying out NYRBA with highly inflated shares of Pan Am stock. The deal, completed in mid-1930, gave Pan Am several large planes, numerous developed routes, and one less competitor. Pan Am’s domain now encompassed the whole of Latin America’s coastline.²⁹

Pan Am’s crowning achievement came the following year with the purchase of 84% of SCADTA’s stock. Yet the coronation was not a public affair. SCADTA chief von Bauer, whose airline was now the pride and joy of Colombia, urged Trippe to keep the deal a secret, lest the Colombians turn on “their” airline. Trippe agreed, explaining the reasoning to the State Department while making vague promises of “Americanizing” the company at a later date. Only a few people in the U.S. government knew about the arrangement or Trippe’s assurances, and most of these soon left their posts. As the years passed, the German administrators and personnel remained in place, and the true ownership of the company became obscure. As the decade progressed, the government’s “instrument” to eliminate the threat of SCADTA was reaping dividends from the flying Teutons while much of Washington remained in the dark.³⁰ Once again, Trippe had managed to circumvent Washington’s strategic interests.

By the end of 1931, Pan Am accounted for over half the commercial miles flown in Latin America.³¹ It had benefited greatly from the favor of the U.S. government, whose

²⁹ Bender, 166-175; Newton, *The Perilous Sky*, 268-275; Lauren D. Lyman, “Plane Lines Approach Merger,” *New York Times*, 3 August 1929, 8.

³⁰ Bender, 144-145, 307-310; Randall, 313-314.

³¹ Burden, 26.

mail subsidies and diplomatic assistance proved invaluable in opening doors and financing expansion. Yet the airline had plotted much of the course. It performed much of the diplomatic work while directing the State Department in its role. In many instances, the department might as well have declared itself a subsidiary of the company. While Pan Am accomplished much of what the government wanted in the region, it exacted a steep toll for its services.

Trippe was not satisfied with Pan Am being a hemispheric power, however. He soon was casting his gaze across the oceans. Here he would confront the British. Britain's chosen instrument for the interwar period was Imperial Airways. Its origins were much different than Pan Am's. In the immediate postwar period, the British government insisted that any international airline must, in the words of Winston Churchill, "fly by itself." Three British airlines began operating after the war. Yet they faced stiff competition from subsidized French and Dutch airlines on services between Britain and Europe. By early 1921, all three had ceased operating, and foreign airlines provided all of Britain's international services. The government viewed this as a blow to British prestige and took action. It offered "temporary" subsidies to revive the three airlines. While these were but a fraction of what the foreign competitors received (for example, the French airlines got over 1.3 million pounds per year, while the British companies received less than 88,000 pounds), the British airlines were able to establish themselves on a sound footing. Yet the government went further, appointing a committee to study the matter of commercial aviation. The committee concluded that it was wasteful to support three competing British airlines in light of the foreign competition and recommended that the government merge the three into one "chosen instrument." This would issue stock to private shareholders. However, the government, through the Air Ministry, would appoint the airline's administrators, oversee its operations, and insure its financial health with direct subsidies. In effect, Imperial would be a public corporation with private

stockholders. Support for the plan grew throughout 1923, and after long negotiations with the existing carriers, the government implemented it in 1924. In late April of that year, Imperial began operations.³²

Initially, Imperial's connections were with Europe. But the primary interest of the British government, and thus Imperial, was to improve communications throughout the empire. As the Secretary of State for Air at the time, Samuel Hoare, later stated, "as a Conservative who had been brought up in the days of Rudyard Kipling, Joseph Chamberlain, and Milner, I saw in the creation of air routes the chance of uniting the scattered countries of the Empire and the Commonwealth."³³

This would prove to be a difficult task. To operate routes to Britain's many possessions, Imperial had to cross Europe. In a time when nations viewed international aviation as an "every-man-for-himself" affair, gaining overflight and landing privileges was not easy. On several occasions Imperial found various European powers blocking its way. For example, when Imperial refused to pool its resources with an Italian airline, Benito Mussolini banned flights by Imperial planes over Italy. As a result, passengers on the Britain-India service had to fly to Paris, take a train to southern Italy, and then board another Imperial plane to complete the trip. Even when Mussolini lifted his ban in 1931, Imperial passengers continued to use a train from Paris to Italy because of French restrictions. There was little that Imperial could do, since it needed to cross these areas and had little with which to leverage the other powers.³⁴

Nonetheless, despite the obstacles, Imperial did manage to establish services to many of the key areas of the Empire. The primary objective was the "jewel" of the Empire, India. In January 1927, Imperial inaugurated a scheduled mail flight to Baghdad. Hoare and his wife journeyed on this flight in order to demonstrate that it was safe enough for women as well as men. They traveled all the way to Delhi on Imperial, but for

³² Dobson, *Peaceful Air Warfare*, 36-42; A.S. Jackson, *Imperial Airways and the First British Airlines* (London: Terence Dalton Ltd., 1995), 9-24.

³³ Dobson, *Peaceful Air Warfare*, 40; Jackson, 12.

some time the Imperial service terminated at Karachi. In late 1929, the Indian government launched a service between Karachi and Delhi, but it had to halt this service in 1931 because of the Depression. Meanwhile, Imperial sought to establish a route to Australia. However, the Australians proved difficult to deal with because they had an airline of their own, Qantas, which they were determined to protect from encroachments by Imperial. The two airlines ended up establishing a service in conjunction with each other that began operating in late 1934. Elsewhere, in 1932, Imperial established a service from Cairo to Cape Town, South Africa, flying passengers and mail. Here too it had to cooperate with a Dominion (South Africa), although it operated this service itself. Imperial spread routes across the Mediterranean and Indian Oceans, as well as across Europe, Africa, and Asia. Yet it did so only with government subsidies, which increased thirteenfold between 1924 and 1939.³⁵ Thus, unlike Pan Am, it was never really a profitable operation.³⁶

Pan Am and Imperial shared many common traits. Both were pioneers in the international field, establishing far-flung networks across continents and oceans. Both were “chosen instruments,” enjoying the exclusive support of their respective governments. Most notably, they catered to the same class of people. As the authors of *Diamonds in the Sky: A Social History of Air Travel* state about flying on international airlines in the 1930s, “it was not a poor man’s hobby.” Flights were expensive—perhaps more so than flying on the Concorde of today (which costs a few thousand dollars for a trans-Atlantic jaunt). For example, flying on Imperial from London to Australia cost around \$1400 in the 1930s (more than the price of most new cars at the time). Clearly, only people from the highest economic strata of society could afford these flights. As one article has noted, the passenger manifests for Pan Am’s trans-Atlantic flights looked like a “who’s who” list of actors (and actresses), diplomats, wealthy industrialists, and

³⁴ Jackson, 29, 46-49.

³⁵ Jackson, 39-88.

³⁶ For a more complete account of Imperial’s early years, consult: Robin Higham, *Britain’s Imperial Air Routes, 1918 to 1939* (Hamden, Conn.: Shoestring Press, 1961); John Stroud, *The Annals of British and Commonwealth Air Transport, 1919-1960* (London: Putnam, 1962).

prominent socialites. The service on these routes was excellent. To a present-day traveler, accustomed to a cramped seat and a bag of peanuts, the amenities would be stunning. A typical “lunch” on an Imperial flight in the 1930s would include iced melon, roast chicken, York ham, veal gelatin, tomatoes and asparagus tips, followed by fruit salad with cream, Cheshire, cheddar and cream cheeses, “toast Imperial”, assorted biscuits, dessert and coffee. Pan Am’s giant “clipper” aircraft had a bar, dining room, smoking lounge, and sleeper beds for overnight flights, as well as excellent dining and service.³⁷

Yet while there were similarities between the two lines, important distinctions existed. For example, even though they served the same class of passengers, there were notable differences between these passengers. British passengers tended to be more concerned with comfort and service. As the authors of *Diamonds in the Sky* state, “for the well-to-do British male...the nearer the conditions in an aeroplane approached those at a good London club, the more contented [he] was likely to be.” The authors proceed to note that Americans, on the other hand, tended to pay more attention to the airplane’s performance. Their surroundings were luxurious, but they were more concerned about speed.³⁸

This is an interesting point to consider, as it reflects far different attitudes toward aviation. These manifested themselves in different ways. For example, there is the general public perception of the flying clientele. A 1939 cartoon entitled “How the Rich Fly” appeared in the British magazine *Punch*. It shows an obviously well to do couple about to board a plane, with a manservant in tow. The interior of the plane is garishly appointed, with chandeliers, carpeted walls, and fine Victorian furniture. Clearly, there are strong elements of class conflict underlying the caricature. American movie audiences had much the same opportunity to observe the rich and famous boarding Pan Am’s planes, as newsreel clips often featured the passenger lists. Yet one American recalls that as he sat

³⁷ Lynwood Mark Rhodes, “Those Magnificent Clipper Flying Boats,” *The American Legion Magazine* (August 1975): 22-4, 39; Hudson and Pettifer, 83-86.

³⁸ Hudson and Pettifer, 87.

in the theater munching on popcorn, he dreamed of someday joining the people he saw on one of those newsreels. In fact, he expected that he would do so. Taken in conjunction with the assessments from *Diamonds in the Sky*, one may conclude that the British viewed airlines as one more means of perpetuating their class structure, while Americans had a much more egalitarian attitude.³⁹

There were other expressions of differences between the British and American perspectives on aviation. For example, there were the air terminals. A 1939 article in the British magazine *Flight* featured the new terminal headquarters for Imperial Airways. The article noted that the new building “has an appearance suited to the importance of air transport” and would give the passenger “the right idea of entirely effortless super-first-class travel.” The article expounded upon the many amenities and conveniences of the new building, noting that its waiting rooms were “frankly luxurious.” In contrast, two 1939 articles in the American magazine *Aviation* emphasized the performance of New York’s new airport. It addressed such matters as projected revenue earnings for the new buildings and travel time from various points in New York City. No mention is made of luxuries or the need to impress.⁴⁰ Much as with the planes, the British were concerned with appearances and service, while the Americans focused on performance.

The differences manifested themselves in more “concrete” forms. There were contrasts in operational settings, sponsorships, and results, all of which would have great technological ramifications. As noted, Pan Am began its work in Latin America, where the U.S. government wielded tremendous influence. Pan Am had little difficulty in negotiating for air and landing rights. Imperial, on the other hand, had to deal with neighbors that were not easily swayed by the British government, and acquiring these rights was a more arduous process. Also, it had to confront a growing sense of

³⁹ Ibid, 112; Rhodes, 20-24, 39-41.

⁴⁰ “Imperial Headquarters,” *Flight* 35:1590 (15 June 1939): 610-11; “Air Terminal Deluxe,” *Aviation* 38:11 (November 1939): 20-1; “By Land or By Sea,” *Aviation* 38:11 (November 1939): 22-3.

independence in its own empire, with various dominions launching their own airlines. In essence, the British faced much greater challenges than the Americans.

Even as “chosen instruments” the two companies differed. For Imperial, this designation meant that the government bore responsibility for the airline’s operation and success. It appointed the staff, set the agenda, and insured the financial and operational success of the airline. In essence, Imperial was a government operation. In contrast, Pan Am was a commercial enterprise. It did benefit from the financial and diplomatic backing of the government and did advance the U.S. agenda in Latin America and elsewhere. However, this was a partnership of equals. The airline promoted U.S. policies because they were in harmony with its business interests. The government never oversaw the airline’s day-to-day operations. These remained under the firm control of Juan Trippe, whose primary interest was the bottom line. While the government was vitally concerned with the airline’s success, it never assumed responsibility for its economic health. Substantial mail subsidies provided the airline with a stable revenue source, but the government did not guarantee that the company would make a profit. Pan Am’s stockbrokers did not enjoy the safety net that their British counterparts did. However, they did enjoy an independence unknown on the other side of the Atlantic. While the British government commanded Imperial, the U.S. government cooperated with Pan Am.

The aeronautical ramifications of these differences were great. Pan Am was free to pursue routes with commercial promise, employing the resources of the U.S. government as needed. It had a profitable base of operations in Latin America that allowed it to cast its gaze across the oceans. Most importantly, it had an aggressive commercial attitude that thrived on a competitive airplane industry. In contrast, Imperial had a government mandate to focus upon the difficult task of binding the empire together. Politics, not economics, dictated much of its development. Moreover, a government edict that Imperial had to “buy British” limited the airline’s options in airplane purchasing. These differences shaped the aeronautical technology employed by the two airlines.

The aircraft that the respective airlines flew reveal starkly contrasting circumstances, goals, and attitudes. Since its earliest days, Pan Am had pushed the technological boundaries of commercial aviation in an effort to build bigger, faster, and more profitable airplanes. In part it benefited from airliners that the aircraft industry developed at the behest of domestic airlines. For example, it made widespread use of the Douglas DC-3, the airplane that revolutionized commercial operations. The low-wing monoplane, with its retractable undercarriage, streamlined engine cowlings, and sleek airframe, set the standard for future aircraft design. More importantly, its ability to carry up to 21 passengers at 180 miles per hour made it the first airliner with the potential to make passenger operations profitable. Yet Pan Am did not merely wait for such aircraft to roll off the assembly line. In the late 1930s, it issued specifications for a transoceanic landplane. Boeing took up the challenge, developing the model 307. It could fly 33 passengers at 220 miles per hour with a statute range of 1,250 miles. Yet its foremost feature was its pressurized cabin, the first fitted to a commercial aircraft. This would allow the 307 to fly passengers in comfort at high altitudes, thereby avoiding low-level storms and providing greater fuel economy.⁴¹

While Pan Am did use landplanes, seaplanes were the key to many of its operations. As the lone American international airline, it was the only company that needed such aircraft. As a result, it was in a commanding position to foster seaplane development. Trippe made good use of this advantage. In Pan Am's early years, Russian émigré Igor Sikorsky provided the airline with most of its seaplanes. His S-40 entered service in 1931, flying 38 passengers at 115 miles per hour with a range of 900 miles. His S-42 followed in 1934, flying 32 passengers at 150 m.p.h. with a range of 1200 miles. Trippe, however, was not loyal to his manufacturers. In 1931, he issued specifications for a new flying boat that could cross the oceans. While Sikorsky offered an improved version of the S-42, Trippe chose Glenn Martin's M-130, which cruised at 130 m.p.h.

⁴¹ R.E.G. Davies, *Pan Am: An Airline and Its Aircraft* (New York: Orion Books, 1987), 46-49.

with 41 passengers. The craft's most impressive characteristic was its range, an incredible 3,200 miles. Yet months after the first delivery of this aircraft, Trippe signed a contract for a better airplane with Boeing. Designated the 314, this monster would carry 74 passengers at 180 mph for 3,500 miles.⁴² This was by far the largest and fastest airplane of its type in 1939. Trippe had used America's competitive manufacturing market to Pan Am's great advantage. This did provoke many complaints, most notably from Martin, who had produced the M-130 at a financial loss in the hopes of getting the contract later granted to Boeing.⁴³ While it made enemies, Trippe's hard bargaining fostered spectacular technological advances.

Imperial was not in a position to bargain. The British government issued contracts with an eye toward keeping various manufacturers in business. While Imperial did buy from different companies, the competition was much less fierce. In addition, Imperial had far different performance requirements. While Pan Am wanted aircraft that could cross wide ocean expanses, Imperial only needed airplanes that could make short "hops," as it had plenty of closely linked bases in Africa and Asia. As a result, the craft that the British produced during the interwar years did not match those of Pan Am in many areas of performance.

This performance gap was most evident in Imperial's use of biplanes throughout the 1930s, even as Pan Am and other carriers were adopting the monoplane. For example, throughout the 1930s Imperial operated a service between London and Paris with the Handley-Page 42, a large biplane with a leisurely cruising speed of 95 miles per hour. Such craft were hardly a match for the DC-3. Imperial did adopt monoplanes in the 1930s, most notably the "Ensign" class. However, while sleek in appearance, the Ensign was a poor performer due to its underpowered engines, and was obsolete at the time of its

⁴² Please note that these numbers do not represent average performance characteristics. An airplane's range, payload, and speed are interdependent; a change in one will affect the others. However, these numbers and those cited hereafter are sufficient for demonstrating the American edge in the application of aeronautical technology to commercial aviation.

introduction. Before the war, the British introduced no design on a par with the DC-3. This deficiency prompted public criticism and led one member of the House of Commons to label Imperial's European services "the laughingstock of the world."⁴⁴

Imperial's seaplanes were somewhat better. The Short company turned out a series of monoplane designs with a sleek silhouette rivaling those of its American counterparts. Yet while their appearance was comparable, their performance was not. For example, the "Empire" class flying boats, launched in 1936, were capable of flying 16 to 24 people at 165 miles per hour, but their range was less than 800 miles. These worked well for short flights down the coast of Africa and Asia, but would hardly suffice for a trans-oceanic service.⁴⁵

The American technological lead in the field first became evident in 1934 when a Dutch-owned Douglas DC-2, flying a scheduled commercial service, finished second in the MacRobertson air race between England and Australia. While the first place finisher was a specially designed British racer, the DC-2's performance stunned many in Britain. It clearly demonstrated the superiority of American commercial designs.⁴⁶ Over the next five years, Juan Trippe would use this advantage to outmaneuver the British in a series of diplomatic contests.

A commercial air service between Europe and the United States promised to be the world's most lucrative international air route. The Americans and the British, among others, labored throughout the 1930s to capitalize on this potential. By 1934, Trippe had the airplanes to open a trans-Atlantic service. However, he had made an agreement with the British to share the route with Imperial Airways. He needed British cooperation at this juncture because they controlled the key landing sites of Newfoundland, Ireland, and Bermuda. The British had no airliners to operate over the Atlantic. They were not about

⁴³ Davies, *Pan Am*, 28-9, 36-43; Bender, 224-5, 264; Michael J.H. Taylor, *The Aerospace Chronology* (London: Tri-Service Press, 1989), 101, 112, 125.

⁴⁴ Jackson, 121.

⁴⁵ Stroud, 85; Taylor, 115.

⁴⁶ Bender, 259.

to let the Americans to get a jump on them, and they held Trippe to his agreement. He was left holding the proverbial bag, with a substantial investment in a new seaplane (the M-130) and no route for it.⁴⁷

In a bold move, Trippe turned to the Pacific. Those who knew of his idea must have been incredulous. There appeared to be no planes capable of bridging the great distances on a trans-Pacific route. Still, Trippe persisted in his quest. One of his targets was the long-fabled market of China. With careful planning and dogged persistence, Pan Am personnel soon established a string of bases across the Pacific on the islands of Midway, Wake, Guam, and the Philippines. However, the Chinese refused Pan Am landing rights in China. Trippe looked to circumvent this obstacle by purchasing the China National Aviation Corporation. His plan was to have Pan Am fly into Hong Kong, with CNAC operating a service between this British colony and Shanghai. In effect, Pan Am would have its route into China. However, the British demanded that in exchange for access to Hong Kong, Trippe had to convince the U.S. government to allow Imperial access to the Philippines. Trippe knew that there was little chance of getting his government to agree to this, so he chose a different tack. In early 1936, he struck a deal with the Portuguese that gave Pan Am landing rights at Macao. He used this agreement to frighten Hong Kong's business leaders. Worried that Pan Am clippers operating out of Macao would undermine their commercial preeminence in the region, they pressed the British to allow Pan Am the access it desired. Imperial was powerless to match Pan Am. It had inaugurated a mail service between Hong Kong and London in March 1936 with small landplanes, but it lacked the resources to provide ships with the capacity and prestige of the Pan Am clippers. In the end, the British had no choice but to grant Trippe's request for landing rights.⁴⁸

⁴⁷ Bender, 223-6; Francis X. Holbrook, "United States National Defense and Trans-Pacific Commercial Air Routes" (Ph.D. diss., Fordham University, 1969), 50-7.

⁴⁸ Stroud, 130-131; Bender, 253-6; William Leary, *The Dragon's Wings* (Athens: University of Georgia Press, 1976), 74-7.

Trippe's other target for his trans-Pacific service was Australia. The British, on the other hand, wanted to establish a route between Australia and Canada. The two sides were sure to collide since they would require the same South Pacific islands for bases. To further complicate matters, many of these islands were subject to conflicting Anglo-American claims. Moreover, the islands had taken on a newfound importance for the Americans, who wanted to use them as defensive bases against the increasingly aggressive Japanese. Thus, for a myriad of reasons, both sides soon were engaged in a "race" to claim various island chains. This race would reach its zenith during 1937 and 1938. Both powers dispatched survey parties, warships, and colonists to the region. There were some confrontations, though no violence resulted. In general, the Americans beat the British to the proverbial punch, successfully establishing bases on most of the disputed islands. While the diplomats haggled over maps, claims, and slights, Trippe built his airfields.

While hardly happy with the situation, the British did believe that they could get the Americans to deal with them. Pan Am needed landing rights in New Zealand and Australia, and thus the British believed that they held a necessary key to the trans-Pacific door. Unfortunately for them, their grip proved to be too weak. This weakness stemmed from in large part from their technological disadvantage. As one British government memo pointed out, Imperial lacked the planes to make a survey flight across the Pacific, let alone establish a service.⁴⁹ Until it had such planes, it was a moot point to press the Americans for access to their island bases. More importantly, there was a proverbial "weak link" in the British chain. New Zealand had long worried that the mother country would be content to land in Australia, leaving it out of the international loop. Imperial's shortage of aircraft meant that it did not serve New Zealand, which reinforced these concerns. Trippe successfully played upon this fear. He struck a deal with the French in

⁴⁹ This does not mean that Imperial did not have flying boats that could make the flight. However, the range of these craft was so short that the cabins would have to be packed with fuel, thereby eliminating the cargo

late 1938 that gave Pan Am access to New Caledonia, an island just north of Australia. Pan Am announced that it would fly to the French colony, and then transport its passengers to Australia by boat. This both negated Britain's threat to bar Pan Am from Australia and prompted New Zealand to offer Pan Am landing rights without any expectation of reciprocity. As he had in Hong Kong, Trippe had taken advantage of Imperial's lack of large, modern planes. Thus, by early 1939, the British found their plans for a trans-Pacific route wrecked. They had no means of leveraging the Americans, who had complete access to the South Pacific.⁵⁰ The British simply had not been able to match Pan Am's leverage with New Zealand.

The third and final battle took place in the north Atlantic. With the introduction of the Boeing 314 in early 1939, Trippe looked once more to launch a service to Europe. The British had managed to make survey flights as early as 1937, using an Empire-class boat. In July 1938, they even made the first "commercial crossing" by a plane, using the Short-Mayo composite.⁵¹ However, neither of these flights offered a practical means for establishing a trans-Atlantic service. The Empire boat could only cover the distance if its cabin were packed with fuel. The composite too had a limited carrying capacity. Neither was a match for the M-130s, let alone the big Boeings. As they had five years earlier, the British looked to stall Pan Am. Unfortunately for them, Trippe now had the Boeings. With their great range, Pan Am could fly to the Azores and on to France. In January 1939 Trippe got a permit from the French government to operate to Marseilles. Once again, he

carrying capacity. More importantly, Imperial had few such airplanes, with none to spare for the flight. In essence, it could not match Pan Am in the development and application of technology.

⁵⁰ For a more complete account of this affair, consult the following: Francis X. Holbrook, "United States National Defense and Trans-Pacific Commercial Air Routes" (Ph.D. diss., Fordham University, 1969), 171-76, 184-98, 211-19.

⁵¹ This was a rather interesting craft, which was really two aircraft. A large Short flying boat would take off with a smaller flying boat attached to its topline, in effect lifting the latter into the air. This saved enough fuel to allow the smaller aircraft to complete the trans-Atlantic voyage. When the composite was airborne, the smaller aircraft would start its engines, detach, and continue the flight, while the larger returned to base.

had bypassed the British.⁵² The magnificent Boeings demonstrated American prowess in commercial aviation.

As one might expect, Imperial's performance, both in general and with specific reference to Pan Am, did not endear it at home. Doubts about the airline's performance grew in the wake of the MacRobertson race in 1934. The stunning performance of the American DC-2 brought Imperial under increasing scrutiny and criticism. It seemed to the public that Imperial was not proving to be the best instrument for promoting British airplane development. Moreover, its record on the European services was rather poor. Unlike its European competitors, Imperial did not conduct night flights, and its planes were antiquated. As public criticism mounted, the government became increasingly concerned about Imperial. It needed a strong chosen instrument for political, economic, and strategic reasons. Thus, in mid-1935, a government committee began to review British aviation policy.⁵³

At this time a new British airline appeared. British Airways was a private concern with sound financial backing and management, as well as influence in Parliament. The government committee conducting the review of British aviation policy recommended that the new airline be provided with a subsidy to operate in northern Europe. Despite objections from Imperial, British Airways received a small subsidy in 1936. It performed well, due in no small part to the fact that it did not have to adhere to some of the restrictions which Imperial faced. Most notably, it bought foreign aircraft, such as the American-built Lockheed Electra. Not only did Imperial have to use less capable British types, but also as the aircraft industry shifted its production to warplanes, it found these harder to acquire.⁵⁴

In late 1937, under pressure from Parliament, the British government appointed another committee to investigate Imperial's performance. The committee submitted its

⁵² Stroud, 147; Taylor, 121; Bender, 223-4, 288-91; "France Gives U.S. an Airline Permit," *New York Times*, 20 January 1939, 10; "Britain Lifts Ban on Ocean Airline," *New York Times*, 3 February 1939, 2.

⁵³ Dobson, *Peaceful Air Warfare*, 96-9.

report in February 1938, which confirmed many Parliamentary criticisms about the chosen instrument. In particular, it blasted the company's management for its lack of cooperation with the government, which, the report noted, had "heavily subsidised" the company. The report called for changes in management and for a new division of Britain's international aviation: Imperial was to handle the imperial routes, British Airways all of the European services, and a joint company the London-Paris route. The report led to a "shake-up" in British international aviation. Changes were made both in the management of Imperial and in the government departments which worked with the airline. Yet the biggest change came the following year. In July 1939, the government combined Imperial and British Airways into a new public corporation, British Overseas Airways Corporation (BOAC). The war soon broke out, which thoroughly disrupted both its services and development.⁵⁵

Contrary to what one might expect, Pan Am's performance did not make it immune to criticism, and by the late 1930s it too was falling out of favor with its government. The Depression, which had shaken the foundations of American business, had little direct effect on Pan Am. The company remained relatively healthy and continued expanding. However, the Depression had discredited the business-loving Republicans, bringing to the White House an administration with a much different attitude. Franklin Delano Roosevelt and his New Deal administrators wanted to assert governmental control over the economy in order to control the excesses of capitalism. Yet for the New Deal activists, the failures of the Republicans also had fostered a distrust of the influence that business had exercised over public policy. In commercial aviation, the administration not only took a more assertive regulatory approach, but also sought to detach itself from the company which had excelled at influencing the government: Pan Am. As the administration pushed for greater competition in the industry, its relations with Pan Am worsened. Gradually, cooperation gave way to conflict.

⁵⁴ Ibid., 99-100; Jackson, 72-5.

While the administration took an active role in shaping international commercial aviation, its desires were mitigated by outside factors. In the early years, Pan Am was the only viable American option in the international field and thus the U.S. government needed it. As later years spawned concerns about hemispheric security, the administration had to turn to Pan Am for help in fulfilling its foreign policy goals. Yet the cooperation between the airline and the government was born of necessity, not affection. Ironically, the war that drove the two parties together also fed the impetus for separation. The opportunism of Trippe and his airline would greatly irritate the administration, while the war provided an opportunity to advance the cause of competition. As the years passed, the government gradually freed itself from Pan Am's clutches.

Soon after FDR's inauguration, the Republican mail contracts came under congressional scrutiny amidst charges of favoritism and corruption. In July 1934, FDR directed his postmaster general, James Farley, to investigate Pan Am's contracts. Upon completing his inquiry, Farley condemned his Republican predecessors for "restrictive" bidding practices that clearly favored Pan Am. He recommended cancellation of the contracts. However, State Department officials convinced FDR that such action would cripple Pan Am. This, they claimed, would harm American business interests and leave Latin America open to European domination. In the end, the administration settled for a reduction in the subsidy, leaving the contracts intact.⁵⁶ For the time being, the government was stuck with Pan Am.

From the earliest days of its tenure, the administration expressed a desire to exert greater control over commercial airlines. After much delay, Congress passed a measure in 1938 establishing an independent regulatory agency, the Civil Aeronautics Authority. Under the terms of the new legislation, airline services were subject to approval by the CAA. The agency also had the authority to grant foreign airmail contracts and control the

⁵⁵ Dobson, *Peaceful Air Warfare*, 102-4; Jackson, 129-38.

subsidy rates; the bidding process was scrapped. The measure did not escape Trippe's influence, however. He lobbied for the CAA, seeing it as a potential tool for preventing American competitors from entering the field. He managed to get several key provisions inserted into the measure, including a "grandfather clause" which guaranteed certification for Pan Am's existing routes. His airline, moreover, would be the first to appear before the CAA. Ironically, it was seeking an increase in its Pacific mail subsidies. Trippe continued to play the Washington game, albeit under new management.⁵⁷

The game was changing, though. The Civil Aeronautics Act mandated that the agency allow for competition in the international field. Furthermore, as war loomed in Europe, the focus of the government's aviation policy shifted from commercial hegemony to hemispheric security. For his part, Trippe remained committed to the commercial advancement of his airline, which put him at odds with the government. While the government and the airline would cooperate in many ventures, the former often had to force the latter to comply with its wishes.

As war clouds gathered in Europe, administration officials became gravely concerned with Axis influence in Latin American commercial aviation. They believed that the Axis powers, most notably Nazi Germany, were using their airlines to spread propaganda, foment political instability, and scout the region for possible military action. One focus of American concern was the Panama Canal, which many officials feared was vulnerable to air attack. The administration was worried particularly about SCADTA's German personnel in nearby Colombia.

Since its purchase in 1931, SCADTA had been a profitable investment for Pan Am. Its ownership had remained a secret. FDR only found out about it in 1935, and the Colombian government seemed ignorant of it. It was public knowledge that Pan Am held

⁵⁶ "Farley Attacks Air Mail Awards," *New York Times* 13 June 1935, 6; Franklin D. Roosevelt to the Secretary of War, 10 March 1934, (footnote) *The Public Papers and Addresses of Franklin D. Roosevelt: The Advance of Recovery and Reform, 1934* vol. 3 (New York: Random House, 1938), 142.

⁵⁷ Bender, 280-287; "First Air Mail Plea Before New Board," *New York Times*, 11 October 1938, 37.

some interest in the company, but the company reported it as minimal. Yet as American concerns grew, Trippe's Teutonic connections came under increasing scrutiny. In 1939, FDR appointed Spruille Braden as U.S. Ambassador to Colombia. Braden soon discovered the truth about SCADTA's ownership, and, despite assurances from von Bauer that the airline posed no threat, pushed to "de-Germanize" it. When the State Department approached Trippe with its concerns, he agreed to help the American cause. Secretary of State Cordell Hull warned, however, that Pan Am might be "reluctant to dispense with von Bauer's services unless urged further." Little did he know how reluctant the airline would prove to be in the coming year.⁵⁸

Braden soon discovered the airline's recalcitrance. Pan Am representatives in Colombia spent much of their time attempting to mislead or stall the ambassador. SCADTA chief von Bauer continued to assure the Colombians that he held control over the airline, while Pan Am officials warned Braden that any public disclosure of its ownership might upset the Colombians and complicate matters. Meanwhile, Trippe complained to Washington that replacing German pilots with Americans would be costly, and demanded compensation. After several months of dallying by Pan Am, Braden played his trump, threatening to reveal publicly the truth about SCADTA's ownership. This broke the airline's resolve, and it made preparations to remove the Germans.⁵⁹

As it was, the Colombian government discovered the truth and passed legislation bringing all Colombian airlines into a single government-controlled company. In June 1940, Pan Am officials and government forces finally removed the Germans in a dramatic coup. Upon inspecting the planes, American officials found what appeared to be modifications for bomb racks, confirming their worst fears. Much to the displeasure of Braden, the War Department paid Pan Am \$900,000 for its troubles. The affair left a bad

⁵⁸ David Haglund, "'De-Lousing' Scadta: The Role of Pan American Airways in U.S. Aviation Diplomacy in Colombia, 1939-1940," *Aerospace Historian* 30:3 (Fall 1983): 177-188; "Colombia to Merge Two Airlines," *New York Times*, 23 July 1939, 18; Cordell Hull (Secretary of State) to Sumner Welles (Undersecretary of State), 6 October 1939, *FRUS*, 1939 vol. V, 73.

⁵⁹ Haglund, 177-188.

taste in the mouths of many State Department officials. It was obvious that Trippe's lone concern was Pan Am's profits, a motive that was out of step with the department's "primary objective," the safety of the canal. For its part, Pan Am made much public ado about its role in removing the Germans, having used its now "substantial" interest in SCADTA on behalf of the American cause.⁶⁰

As the relationship between the administration and Pan Am soured, the former found a challenger. In 1939, American Export Airlines, with the administration's support, applied for CAA approval of a transatlantic mail and passenger service. Trippe, who had spent years trying to develop an Atlantic route, did not regard the interloper kindly, and launched a campaign to stop it. He warned the CAA that the competition would weaken America's international aviation effort and cost the government more in mail subsidies. Yet in a clear defeat for Pan Am, the CAA granted American Export permission to open a service to Europe in 1940. The fight now shifted to Congress, where Trippe, repeating his earlier arguments, attacked the administration's request for a mail appropriation for the new company. Soon he and the administration were locked in a struggle for congressional votes, a battle that Trippe won. FDR and his advisors were irked by Trippe's successful campaign to derail their initiative.⁶¹

Disgusted by Pan Am, U.S. officials began looking for options. Meanwhile, British commercial aviation was in disarray. Into the midst of this change and confusion

⁶⁰ Haglund, 177-188; Hull to Spruille Braden (U.S. Ambassador to Colombia), 2 February 1940, *FRUS, 1940* vol. V, 725-726; "Colombian Airline Dismisses Germans," *New York Times*, 12 June 1940, 10.

⁶¹ Bender 320-327, "Atlantic Air Rivals Clash at CAA Hearing," *New York Times*, 31 October 1939, 18; "Air Board Allows New Line to Lisbon," *New York Times*, 16 July 1940, 19; "New Ocean Airline Hits Senate Snag," *New York Times*, 6 May 1941, 23; "New Ocean Airline Barred By Senate," *New York Times*, 8 May 1941, 14.

stepped Lowell Yerex. The stage was set for one of the more intriguing chapters in aviation and diplomatic history.

CHAPTER THREE: THE KIWI CONQUISTADOR

As the eminent aviation historian R.E.G. Davies has noted, Lowell Yerex “was one of the few airline promoters that became a legend in his own time.” This is no small compliment, for the industry included such figures as Howard Hughes, Eddie Rickenbacker, and Juan Trippe. A legend transcends success or fame; it has a mystical and uncommon quality about it, a characteristic that defies explanation. Yerex was a legend because he developed an airline in a region that would seem to defy such development, and with a seeming lack of the necessary resources. Both American and British officials would later comment on his unique knack for succeeding when and where success seemed impossible. How he did it seemed to escape them and thus his legend. Yet a legend is also unfamiliar. It is not one of “us,” but rather it is an “other.” Often, it is distant in both nature and location. Yerex had these qualities. He was neither American nor British, nor was he close at hand. He was born in distant New Zealand and lived most of his life in the remote areas of Latin America. Being so inaccessible, the British and Americans could only imagine what he was like. This distance contributed to a legendary aura which, at least in these early years, Lowell Yerex was able to maintain.

Lowell Yerex was born in 1895. Since his birthplace, New Zealand, was a dominion in the British Empire, Yerex was a British citizen. His mother was a New Zealander, but Yerex’s ties to the dominion would prove to be largely nominal. This was due in large part to the influence of his father. George Yerex had been born in Canada and was also a British subject. However, before coming to New Zealand he spent some time as a salesman in the United States. As a result, explains Lowell Yerex’s biographer and nephew, David Yerex, he “became an ardent disciple of the American way, of their go-

getting business methods and their inventiveness.” In contrast, “he was not slow to criticise the stuffy conservatism of the British way which dominated the society in which he lived.” Of course, such an attitude was not popular with the neighbors, who were ardently British. His children would bear their father’s distinction. Lowell and two of his brothers bore the names of famous Americans. The neighbors looked upon them as different, and referred to them as “the American kids.” This foreshadowed Yerex’s dealings with British authorities later in life.

George was fairly prosperous, owning a business that imported American goods (of course) for sale in New Zealand. He had the wherewithal to send his sons to school in the United States. In 1911, Lowell began attending Valparaiso University in Indiana. He was the photographer for the school newspaper, and was apparently popular. A comment in the University “Record” (perhaps the equivalent to the present-day yearbook) noted that after his graduation “the island of Tahita [sic] will claim him.” Already, it seems, there was something about him that led others to associate him with the exotic. He completed his studies with a Bachelor of Science degree in 1915, and went to the rather unexotic locale of North Dakota to teach at a rural school.⁶²

World War One rescued Yerex from this mundane life. Although he was residing in the United States, he was still a British subject, and “King and Country” called. He went to Canada in 1917 (interestingly enough after the United States had entered the war) and joined the forces. Because of his university education in science, the military considered him suitable material as both an officer and a flier, and assigned him to the Royal Flying Corps. He received a commission as a second lieutenant the following January, and was in Europe by June. He was no “ace”, but British records show that he did claim 3 “kills” on 36 missions. Unfortunately, being a combat pilot at this time, while glamorous, was very risky. Many were shot down within weeks of coming to the front. Yerex was no exception, going down behind enemy lines in early September. With his

capture came an opportunity to begin building his legend. Yerex made a daring escape from a prisoner train and set off for the front lines. Unfortunately, the legend's sense of direction failed him, for when he was recaptured, it became apparent that he had been wandering in circles.⁶³ Still, the effort would add some "dash" to his image in later years.

Lowell's captivity was short, and he returned to the United States in 1919. Like many wartime aviators, he wanted to earn a living with his flying skills. He became a partner in a classic "flying circus." Of course, danger and showmanship were the key elements to the act. Yerex, who suddenly became a "Captain", now wore cavalry boots, goggles, and leather jacket--a true "swashbuckler" of the air. He performed dangerous maneuvers, and even crashed a plane. These were hardly desirable traits for a commercial pilot. Yet Yerex was learning how to fly under demanding conditions, and he managed the business affairs for the circus.⁶⁴ This training would prove useful later in Central America.

After five years Yerex left the flying circus. The U.S. government was beginning to regulate aviation more stringently, and Yerex needed a more stable livelihood. He now was married and had two daughters. He moved his family to New Mexico, opened a Packard dealership, and settled down. He remained involved in flying, and even had the honor of servicing Charles Lindbergh's *Spirit of St. Louis* when the famous flyer visited New Mexico in the late 1920s. Unfortunately, disaster soon struck. First, his elder daughter died. Second, the Depression occurred, crippling his business. According to his nephew, his life "became increasingly miserable."⁶⁵

Yerex soon headed to Mexico to escape his troubles. He found a job as a pilot with Corporacion de Aeronautica de Transportes (CAT). He learned to land on small and rough jungle airstrips. Unfortunately, the airline failed financially in 1931, and Yerex was

⁶² David Yerex, *Yerex of TACA: a Kiwi Conquistador* (Carterton, New Zealand: Ampersand Publishing Assoc., Ltd., 1985), 17-23.

⁶³ *Ibid.*, 23-9.

⁶⁴ *Ibid.*, 31-8.

⁶⁵ *Ibid.*, 38-41.

out of a job. However, he met a man by the name of William Henshaw who needed a pilot to fly a plane from Mexico City to Tegucigalpa, Honduras. Henshaw was a partner of Dr. T.C. Pounds, who operated an airline in Honduras. At the time Yerex joined, the American Legation in Honduras reported that the company's name was the "Honduran Aerial Transport Company." (The Spanish name was "Tranportes Aereos Hondurenos," or T.A.H.) The two partners retained Yerex as their pilot.⁶⁶ Thus began Yerex's long residency in Central America.

The situation was hardly ideal. Central America confronted any flier with some of the most forbidding topography in the world. Jungles, high mountains, and primitive locales offered few sites for viable bases and made for dangerous flying conditions. There was no infrastructure for an airline, such as landing fields, radio facilities, or weather services. Moreover, in an age when such giants as Pan Am and Imperial depended on substantial government subsidies, the nations of Central America offered little funding for airlines. The cards seemed to be stacked against a successful venture. However, the setting did offer some promise. The topography, ironically, was a blessing in that it limited the effectiveness of alternative means of travel. Railroads reached only a few areas, and roads were rough, making travel slow and precarious. Air travel could leap the mountains and cross the jungles, opening the way to regions with valuable economic resources. A boon was waiting for the person who could overcome the obstacles and establish a network.

Demonstrating remarkable resourcefulness, Yerex did just that. However, he would not do it under the auspices of his employer. According to various sources, T.A.H. was poorly run and full of discord. Yerex first appeared in the State Department records in late 1931 in connection with a controversy involving his employers. The department had received reports that the company had smuggled guns into Honduras, which at that

⁶⁶ Ibid., 41-7; R.E.G. Davies, *Airlines of Latin America Since 1919* (Washington, D.C.: Smithsonian Institution Press, 1984), 87-8, 117-8; Lawrence Higgins (U.S. Charge de Affaires ad interim, Honduras) to Stimson, 17 November 1931, 815.796/73.

time was just months away from a civil war. The department instructed the legation to investigate the charge. The legation reported that Henshaw had probably smuggled a machine gun into the country aboard the company plane. The report castigated Henshaw as being “untrustworthy and disreputable.” He and Pounds were reportedly at odds about who owned the airline’s only plane. The report exonerated both Pounds and Yerex. It also commended the “Britisher” for “showing great skill and having remarkable success in getting in and out of small cramped landing fields.”⁶⁷ Already Yerex was making a favorable impression but he also was suffering from questionable associations. However innocent he might be, this would plague him in later years.

For Yerex the pilot, the problems in T.A.H. were a bane. Because of them, the company failed to make money, and he went unpaid. Yet for Yerex the entrepreneur, it was an opportunity. As the company proved unable to pay him, he took the airplane in lieu of his salary. With this craft he established Transportes Aereos Centro Americanos in December 1931. The U.S. legation reported that he had a partner in his new venture, a man by the name of James Woodburn. Contrary to later accounts, Yerex had not established TACA on his own. However, he was clearly the dominant personality in the company. Moreover, Woodburn failed to meet his financial obligations, and by April of 1932 he would be out of the company.⁶⁸

Business was brisk in the early weeks of TACA’s existence. Yerex reportedly made \$3,600 in the first month transporting everything from officials to food around Honduras. He soon bought a second airplane and began transporting materials to and from isolated mines. By April, he had four aircraft, three pilots, two mechanics, and numerous “local representatives” in his employ. TACA was flying to 18 towns throughout the country. In the process, it was constructing airstrips, literally cutting them

⁶⁷ Higgins to Stimson, 17 November 1931, 815.796/73.

⁶⁸ Davies, *Airlines of Latin America*, 118; Military Intelligence Division, Report, “Honduras Commercial Aviation,” 30 December 1931, 815.796/80; Julius Lay (U.S. Legation, Honduras) to Stimson, 11 April 1932, 815.796/83.

out of the jungle. Yet, as his nephew notes, for all of this growth, Yerex was “living hand-to-mouth” with regard to his finances. Business was erratic, and success uncertain.⁶⁹

Yerex was well aware of the fact that he needed some form of government support. He asked the Honduran government for a domestic mail contract. He had one advantage in that the only government airmail contract was in the hands of Pounds, whose company was defunct. Using a tactic that he would employ many times in the coming years, Yerex offered to fly the mail for free, on the understanding that a contract would be forthcoming. This he received in March of 1932. The U.S. legation stated that TACA was “satisfied” that the contract would be profitable as long as the Honduran government kept up with its payments. This, the legation warned, was unlikely in light of Pan Am’s troubles in collecting from the government for its international mail service. However, this assessment did not account for the political skill of Yerex. He resorted to another tactic that would serve him well in later years. He made an influential Honduran, Arturo Pineda Arias, a minority partner in TACA. Pineda had important connections in the government. As the legation later reported, this allowed TACA to be “remarkably successful in making collections of moneys [sic] due from the Government under the first class mail contract.” TACA’s success in dealing with the government manifested itself in July when the airline negotiated a contract to carry the parcel posts in Honduras for \$1050 per month.⁷⁰ Yerex was already demonstrating his skill in negotiating the political terrain of Central America.

There was a danger inherent in Yerex’s political involvement, however. While it allowed him to develop close ties that would aid his business, it also committed him to certain parties. In late 1932, Honduras became embroiled in a civil war. General Tiburcio Carias Andino, the Nationalist candidate, won the presidential election. Military leaders of the opposing party revolted, leading to fighting in various parts of the country. Yerex

⁶⁹ Lay to Stimson, 11 April 1932, 815.796/83; Yerex, 52-57.

⁷⁰ M.I.D. Report, “Honduras Commercial Aviation,” 30 December 1931, 815.796/80; Lay to Stimson, 30 March 1932; 815.796/82; Higgins to Stimson, 30 July 1932, 815.796/97.

was caught in the middle. If he backed the revolutionaries, Carias would shut down his operations in the capital. If he backed the government, he would lose everything if the revolutionaries won. He decided to back the new president “to the hilt,” as his nephew would later to say. He performed various services, from transporting arms to the scouting, bombing, and strafing of rebel forces. Of course, tales of such involvement only lent color to his image. Yet one incident stood apart from the rest. Late in the year he was engaged in strafing a body of rebel troops when ground fire struck his plane. One bullet hit Yerex in the face, destroying his right eye. Stunned and severely wounded, he nevertheless managed to fly the plane back to his base. He had to wear a glass eye for the rest of his life. Dramatic accounts of the incident would appear in the press, and it made a great story for diplomatic dispatches and press reports for years to come. In fact, his nephew would cite his action as the decisive factor in ending the revolution.⁷¹ Whatever the case, one thing is certain: Yerex had placed himself clearly on the side of Carias. As long as that government was in power, he was assured of support. But if the opposing party ever came to power, he would face a crisis in his Honduran operations. This possibility would concern him for years to come. Moreover, in later years, such political involvement would haunt him both in Central America and elsewhere.

For the present, however, Yerex won the heartfelt gratitude of the government. It offered him a cash reward, which he wisely turned down. Instead, he sought and received an extension on his airmail contract, as well as the right to import various materials duty-free. Beyond the material rewards, he was assured of a very friendly government that would provide him with a solid base of operations in Central America. Despite this, Yerex was not completely happy with the situation. A 1933 report from the U.S. Legation in Honduras stated that he was “inclined to be pessimistic about the future, especially in view of the fact that the Honduran Government has not ‘subsidized’ his company as a reward for services rendered in suppressing the recent revolution.” Also, he had to fear

⁷¹ Davies, *Airlines of Latin America*, 118; Yerex, 58-66.

the opposition.⁷² Thus, while in retrospect Yerex benefited from his actions, his success was not a foregone conclusion.

As noted above, the U.S. Government was keeping an eye on Yerex and the new enterprise. Already there was some appreciation for his ability as a pilot and an entrepreneur. He had impressed various U.S. officials with his knack to operate from small fields, and he had defied expectations by succeeding in collecting from the Honduran government on his mail contracts. In fact, some officials would compare him favorably to Pan Am, and express some sympathy for him. However, from the beginning, they identified him as not being an American. In fact, one official improperly identified him as an “Australian” in an early report. Regardless of the land of his birth, to American officials he was a “Britisher”. While TACA employed American planes and personnel, one U.S. official summed up the attitude by stating that the airline was “not American.”⁷³ This would be the story for the rest of Yerex’s tenure in the region.

Yerex’s operations raised other concerns for the United States. Washington did not approve of his involvement in the political affairs of Honduras. The United States was emerging from a long period of interventionism in Central American affairs. In fact, it had just completed a military withdrawal from Nicaragua, which U.S. Marines had occupied for much of the previous two decades. The U.S. government did not want to have to repeat this episode in its diplomatic history, and thus wanted stability and peace in the region. Gunrunning, bombing, and strafing would not contribute to this end. U.S. officials foresaw the troubles in Honduras, and endeavored to prevent Yerex’s involvement. In July, when Yerex applied to the U.S. government for an export permit for a Stinson monoplane, the State Department pressed him for a written assurance that this plane would not be used in military activities. Only when Yerex did so did the State Department give its approval for the permit. Of course, Yerex subsequently became

⁷² Davies, *Airlines of Latin America*, 118; Lay to Hull, 10 May 1933, 815.796/111.

⁷³ Lay to Stimson, 17 November 1931, 815.796/73; Higgins to Stimson, 30 July 1932, 815.796/97; Lay to Stimson, 3 March 1932, 815.796/8; Lay to Stimson, 11 April 1932, 815.796/83.

involved in the conflict anyway. There is no indication whether he used the Stinson in any military capacity.⁷⁴

Another concern for the State Department was TACA's growth. As a local carrier in Honduras, it represented no threat to U.S. interests. However, Yerex clearly had a greater vision. In September 1932, he acquired a domestic airmail contract from the Nicaraguan government, and initiated services in that country. As he had in Honduras, Yerex cultivated relationships with well-placed Nicaraguans to promote his company's fortunes. Such activity did not greatly concern the U.S. government. However, Yerex used this work as a basis for an international service. In May 1933 he signed an international mail contract with the Nicaraguan government. In the same year he initiated a service between Guatemala City and San Salvador, transporting passengers, baggage, and the all-important mail. He had already linked San Salvador with Tegucigalpa, which he had linked with Managua. Thus, by late 1933, he had an international service connecting Guatemala, El Salvador, Honduras, and Nicaragua.⁷⁵

This activity disturbed the U.S. government, as it placed TACA in direct competition with its chosen instrument. In many ways, it was hardly an even match. Pan Am received the full financial and diplomatic backing of the U.S. government. Yerex received no such subsidy, and was merely favored by the Honduran government. Pan Am flew modern and large planes, while Yerex was operating small, second-hand models. Pan Am was clearly the larger operation. For example, in 1933, its international operations in Honduras carried over 1900 passengers, 3,800 pieces of baggage, and 3,200 kilograms of mail. TACA, by comparison, carried 56 passengers, 400 pieces of baggage, and 600 kilograms of mail. Despite this disparity, however, TACA was now a real

⁷⁴ Yerex to Stimson, 29 July 1932, 815.796/87; Higgins to Stimson, 29 July 1932, 815.796/88; W.R. Castle (Acting Secretary of State) to the Collector of Customs, Brownsville, 1 August 1932, 815.796/87; Yerex to Stimson, 1 August 1932, 815.796/93; Stimson to the U.S. Legation, Tegucigalpa, 9 August 1932, 815.796/94.

⁷⁵ Yerex, 76; Matthew E. Hanna (U.S. Legation, Managua) to Stimson, 6 September 1932, 817.796/18; Hanna to Cordell Hull (U.S. Secretary of State), 20 May 1933, 817.796/25; Alex A. Cohen (In charge of

concern to U.S. officials. As the military attaché in Costa Rica related, TACA, while small, “is aggressive and seems to have greater projects in view.” In fact, “it hopes to be a real competitor of Pan American Airways between the Rio Grande and Panama.” This was no mere dream. TACA was endearing itself to the Central Americans by carrying mail at discounted rates. When Pan Am’s contracts expired, he warned, many would push to give them to TACA. Furthermore, he cautioned, there was a lot of money at stake, which might lead to some nefarious practices. He would not suggest that Pan Am would “stoop to this sort of business,” but, he declared, “the T.A.C.A. has--and would.”⁷⁶ In effect, the U.S. chosen instrument now confronted an aggressive, ambitious, and unscrupulous competitor.

TACA’s growth did not escape the attention of Pan Am, and the two airlines became engaged in a commercial skirmish. According to U.S. reports, both sides made moves to hamper the other. The U.S. legation in Honduras reported in mid-1933 that TACA was endeavoring to “thwart the Pan American Airways in Honduras” and had “stirred up opposition” against a new airmail contract proposal which Pan Am had submitted to the Honduran government. To counter Pan Am, Yerex lobbied for a similar contract, while offering to place TACA’s planes at the disposal of the government in the event of war. As the two airlines battled it out in the Honduran congress, the legation in Managua reported that TACA, despite its Nicaraguan contract, was unable to “obtain” mails for international carriage. Yerex blamed Pan Am for the delays in the implementation of his airmail contract.⁷⁷ In effect, the two airlines were using whatever political influence they could to check the other.

Office, Military Attaché, Costa Rica) Report 2309, 13 February 1934, 814.796/66; Lay to Stimson, 11 April 1932, 815.796/83.

⁷⁶ Cohen, G-2 Report 2309, 13 February 1934, 814.796/66; A.R. Harris (Military Attaché, Costa Rica); G-2 Report 2412, 31 May 1934, *Correspondence and Record Cards of the Military Intelligence Division Relating to General, Political, Economic and Military Conditions in Central America, 1918-1941*, M.I.D. 2548-150/1. All subsequent references to documents from the Military Intelligence Division files will include the specific document information and the M.I.D. file and document number.

⁷⁷ Lay to Hull, 10 May 1933, 815.796/111; Hanna to Hull, 12 August 1933, 817.796/28; Lay to Hull, 9 March 1934, 815.796/116.

U.S. officials, of course, supported Pan Am. For example, when Nicaragua first signed its international airmail contract with TACA in 1933, the U.S. legation in Managua pressured the Nicaraguan government to review the decision to make sure it did not violate Pan Am's contract, which supposedly granted an exclusive right to carry such mails. Yerex, during a visit to the legation, claimed that the mail he was to carry was not "airmail", but "ordinary" mail. The U.S. legation did not concede this argument, pointing out its "defects" to Yerex.⁷⁸ It was determined to protect its chosen instrument.

However, U.S. officials were not hostile to Yerex. While they lobbied on Pan Am's behalf, they did not try to undermine TACA itself. In fact, they often admitted that TACA had its merits, while Pan Am had its faults. The legation in Honduras noted that Pan Am's problems with the Honduran government were due in part to its failure to include Tegucigalpa as a stop on its Central American service. As a result, TACA provided Tegucigalpa with its only air links to the rest of the region, giving Yerex some additional leverage with the government. Moreover, in its new contract proposal to the Honduran government, Pan Am had demanded certain tax exemptions that aroused a backlash in the congress. One official stated that it was "unfortunate" that Pan Am had insisted on such "unnecessary" exemptions, as they were likely to derail the contract. He commented that the contract had been "drafted probably by lawyers in the United States who do not understand Central American psychology." Significantly, the report mentioned that a local representative was handling Yerex's campaign against the contract. From the U.S. legation in Nicaragua, Matthew Hanna related a conversation he had with Yerex about the conflict. The New Zealander charged that Pan Am was denying both Honduras and Nicaragua the benefits of airmail with its high rates and opposition to TACA's contract. Pan Am's intransigence, Yerex warned, would not stand up to public scrutiny and opposition. Hanna conceded that the New Zealander might have a point, and stated that Pan Am should reconsider its "policy." As for Yerex, Hanna remarked that the

⁷⁸ Hanna to Hull, 12 August 1933, 817.796/25.

New Zealander “impressed me as a reasonable person and I would not expect him to accept lightly a defeat in this matter.”⁷⁹ In effect, while U.S. officials defended Pan Am’s rights, they were not engaged in open warfare with TACA.

For his part, Yerex sought a resolution to the fight. In 1933 he traveled to New York to talk with Evan Young, a Pan Am vice president. However, this produced no truce, and the skirmishing continued. Both sides won and lost. In April 1934, Pan Am managed to get the Honduran congress to approve its new international airmail contract. In turn, TACA negotiated an operating contract with El Salvador, which solidified its position in the region and served, as one official stated, as “another laurel in its fight against Pan American Airways.”⁸⁰ This initial round of skirmishing abated after 1934. Yerex increasingly focused his energies on developing his local freight services, while Pan Am turned its attention to spanning the oceans. In essence, Juan Trippe and company had bigger fish to fry. One may consider this a draw, since neither side had driven the other from the field. Yet considering the odds, it was a victory for TACA. It had stood up to the American giant and established itself on a solid footing.

Yet it would not be Yerex’s international services that would define his success. Rather, it would be his accomplishments in the area of local transport services that made him rich and famous. His climb to dominance in the field was both sudden and impressive. In 1933, a U.S. official reported that Yerex was “pessimistic” about the future of his airline. Less than three years later, a U.S. military intelligence report would state that TACA held “practically undisputed control of the local air transportation business in Guatemala, Honduras, and Nicaragua,” and that its international services between these three nations and El Salvador as well made it a “formidable competitor” to Pan Am.⁸¹

⁷⁹ Higgins to Hull, 29 June 1933, 815.796/112; Lay to Hull, 9 March 1934, 815.796/116; Hanna to Hull, 12 August 1933, 817.796/25.

⁸⁰ Lay to Hull, 26 April 1934, 815.796/120; Hanna to Hull, 12 August 1933, 817.796/25; Cohen, G-2 Report 2545, 5 October 1934, M.I.D. 2548-150/2.

⁸¹ Lay to Hull, 7 April 1933, 815.796/110; N.W. Campanole (Military Attaché, Costa Rica), G-2 Report 3134, 8 November 1936, M.I.D. 2548-150/9.

Yerex's road to dominance was rather simple. In each country he either established a subsidiary or bought a local line, thereby gaining entry into the market. He would then offer his services at rates lower than his competitors, often compelling them to sell out to him, giving him control of the field. This might sound ruthless; to a certain extent, it was. Business in Central America was not a pursuit for the weak. At times, the competition would result in disturbing practices. However, Yerex's success was due in large part to his organizational and business abilities. Quite simply, his competitors could not match his airline in head-to-head competition. Moreover, while he came to dominate the field, his competitors often benefited.

Yerex first sought to secure his position in his main center of operations, Honduras. He faced three competitors, the primary being Empresa Dean, an American-owned airline. The intensified competition soon aroused concerns amongst local U.S. officials. They reported that the commercial skirmishing had led all of the airlines to cut their fares below their operating costs. To make up for their losses, the officials claimed, the airlines sacrificed safety. In early 1933 a TACA plane crashed, resulting in the deaths of the pilot and all of the passengers. The following year, a Morgan plane crashed. In both instances the U.S. legation blamed the accident on the fierce competition. It cited the use of old aircraft, the overloading of aircraft, and the lack of training for pilots. In particular, it singled out TACA for criticism. It claimed that TACA planes were often so overloaded that they were "barely able to rise from the ground" on take-off. It also pointed out that Yerex often flew for TACA-despite the fact he had only one eye! In a more indirect criticism, it noted that "certain of the airlines" used their political influence to undermine any effort to enforce Honduran regulations. The legation was so upset by the state of affairs that it suggested that the U.S. government propose to the Hondurans that a U.S. aviation safety expert be sent to Honduras to inspect the planes and certify the pilots. The State Department rejected this idea, noting that it would cause certain political

difficulties. While the department did not mention any specifics, it was clear that the legation's proposal would contravene the new "Good Neighbor Policy."⁸²

Eventually, Yerex won the fight. In April of 1934 he bought Empresa Dean for \$30,000, eliminating his main competitor. The U.S. legation greeted his buyout of Empresa with relief. It noted that the "purchase may auger well for the future safety of aviation in this country" since Empresa Dean and TACA had been the main competitors in the struggle that had so compromised the safety of passengers. The legation hoped that TACA would be able to eliminate the competition and improve air safety standards in the country. There seemed to be no concern that a "Britisher" had just taken over an American company and would dominate the airways of Honduras. Before the year was out, the other competitors ceased operations, leaving Yerex in complete control of the internal air services of Honduras.⁸³

In Nicaragua, Yerex gained entry by joining with Vias Aereas Nacionales (VAN) to sign a mail contract with the Nicaraguan government in 1932. VAN was to furnish the air services within Nicaragua, but TACA ended up performing this duty. It faced strong competition from a local airline known at first as Lineas Aereas de Nicaragua, Empresa Vendetti (LANEV), and later as Lineas Aereas de Nicaragua, Empresa Palazios (LANEP). LANEP was owned in part by Charles Van Etten, an American. Again, after a period of what one U.S. official in Nicaragua described as "keen" competition, TACA triumphed. In late 1935, it purchased LANEP for an undisclosed sum. Van Etten emerged with 60 shares in TACA and as "second-in-command" of TACA's operations in the Nicaragua. With this purchase TACA acquired LANEP's contracts, eliminated the competition and solidified its position in Nicaragua.⁸⁴

⁸² Lay to Hull, 7 April 1933, 815.796/110; Lay to Hull, 19 March 1934, 815.796/115; Higgins (Division of Latin American Affairs), Memorandum of Conversation, 4 April 1934, 815.796/117.

⁸³ Lay to Hull, 26 April 1934, 815.796/120.

⁸⁴ Davies, *Airlines of Latin America*, 92; Hanna to Stimson, 6 September 1932, 817.796/18; Hanna to Hull, 27 July 1933, 817.796/27; Fletcher Warren (Charge de Affaires ad interim, Managua) to Hull, 17 December 1935, 817.796/34.

Guatemala would be the last foundation stone in Yerex's operations. He had operated a service connecting Guatemala City with San Salvador as early as 1933, but it took him over two years to establish a domestic service. His biggest obstacle was the Guatemalan government. According to U.S. sources, the government did not favor Yerex for several reasons. One was that it did not consider his operations to be very safe. While TACA did experience some crashes early in its life, one wonders if perhaps this low opinion was the result of Pan Am propaganda. Another reason was that the Guatemalan administration of Jorge Ubico did not favor Yerex's efforts in the recent Honduran revolution. Yet Yerex persisted, and in early 1936 he purchased *Compania Nacional de Aviacion*. The government subsequently approved a five-year operating contract for TACA.⁸⁵

This burst of expansion halted. Yerex negotiated a contract for an international service with El Salvador, but that nation was too small for a profitable domestic service. As for Costa Rica, two vibrant airlines already operated within its boundaries, making the competition a little too keen for Yerex at that time. One of these, *Empresa Nacional de Transportes Aereos (ENTA)* provided a service between Costa Rica and Managua, linking Costa Rica to the TACA system.⁸⁶ Thus, even though it was not operating in every country, TACA served practically all of Central America.

In these early years most of Yerex's diplomatic dealings were with the U.S. government. Yet he had not forgotten the Empire, and His Majesty's Government was not wholly unaware of his progress. An early "fan" of Yerex was the British Minister in Honduras, William Gallienne. He submitted the first British report on Yerex in mid-1933. He provided a brief biography of Yerex, noting his place of birth and his service with the RFC in the world war. He mentioned his beginnings in Honduras, with an airy reference to Yerex's role in the revolution: "finding the civil war was likely to be deadlocked for

⁸⁵ Davies, *Airlines of Latin America*, 89; Hanna to Hull, 1 June 1934, 814.796/67; L.J. Keena (American Legation, Honduras) to Hull, 18 November 1935, 815.796/135; Campanole, G-2 Report 3392, 4 April 1936, M.I.D. 2548-150/9.

months, he finished it himself by bombing the revolutionaries.” He noted the recent skirmish with Pan Am and mentioned that he had flown with Yerex to Nicaragua to help plan some form of representation on TACA’s behalf. Yet he admitted that Yerex’s current contest with Empresa Dean in Honduras was a problem, as the competition threatened to ruin both companies. In a later report he, much like his American counterparts, lauded TACA’s buyout of Empresa Dean, noting that the competition had reached “ridiculous lengths.” He also shared his American counterparts’ concern with Yerex’s political activities. In a 1935 report about a new contract Yerex had signed with the Honduran government, he cited one political clause as particularly troublesome. It stated that in time of war or civil disturbance, TACA’s planes would be subject to government control. This, he commented, could put TACA in “an insidious and dangerous position” if the government’s authority contravened the constitution. In essence, TACA could be on the wrong side of the law.⁸⁷ In general, Gallienne was favorable in his reports of Yerex, and even endeavored to help Yerex in his diplomatic dealings. Yet British relations with Yerex at this juncture were limited, and thus the British records concerning Yerex during this period are few.⁸⁸

Enough records exist, however, to address how the British and the Americans defined Yerex, as well as how Yerex defined himself. On the British side, the response to Yerex was surprisingly cool. Gallienne was clearly a “fan”, as he described Yerex in glowing terms. He defined Yerex as “British”, and emphasized such facts as his service with the RFC. He also mentioned that Yerex had provided funding for the to establishment of a golf club in Honduras, the implication being that Yerex helped bring some form of civilization to the area. Yet he also reported that Yerex employed primarily

⁸⁶ Davies, *Airlines of Latin America*, 90-2, 120-21.

⁸⁷ William Gallienne (British Legation, Tegucigalpa) to Sir John Simon (Foreign Office), 8 August 1933, A6511/6511/8, F.O. (Foreign Office records) 371/vol. 16561; Gallienne to Simon, 10 May 1934, A4493/671/8, F.O. 371/17498; Gallienne to Simon, 20 September 1934, A8144/671/8, F.O. 371/17498; Gallienne to Simon, 16 April 1935, A4381/4381/8, F.O. 371/18663.

⁸⁸ In fact, between 1935 and 1940, the British government had only a handful of records pertaining to Yerex, and these have disappeared.

American equipment and personnel. Moreover, he related that Yerex had entertained offers to sell a minority holding in TACA to American interests. Perhaps most importantly, he noted that Yerex, while a British subject, had spent much of his life in the United States and, as a result, “he speaks and looks like an American.”⁸⁹

This portrayal of Yerex must have confused officials in London and, as a result, they were rather lukewarm about his operations. On the one hand, they clearly stated that TACA was a “British” company. In fact, they regarded it as a possibly useful competitor for Pan Am. However, they also noted that most of its equipment and personnel were American. The attitude of London manifested itself most clearly in one statement by a Foreign Office official: “If Mr. Yerex is shot in his next revolution, I suppose we shall have to make a row about it, though his company and his machines are U.S.” It is evident that His Majesty’s Government was not entirely convinced about Yerex’s loyalties. Yet the distaste reflected in the above statement may have stemmed from Yerex’s business methods as well. It was made in response to one of Gallienne’s reports about Yerex’s activities that, while praising Yerex for his success in building an airline, noted that he might have suffered from “a lack of scruple.” Interestingly enough, Gallienne does not relate any illegal activities on the part of Yerex to justify such a statement. However, in many of his reports he emphasized Yerex’s “aggressive” business tactics, such as fare cutting, in competing with rival companies.⁹⁰ It would seem that the British had problems accepting Yerex’s competitive methods, perhaps because they regarded them as “American.” Such doubts would haunt Yerex in his future dealings with the British.

The Americans shared some of these British doubts about Yerex. Like Gallienne, American representatives in Central America decried the competition because it undermined safety standards. They too cited TACA as an “aggressive” commercial

⁸⁹ Gallienne to Simon, 8 August 1933, A6511/6511/8, F.O. 371/16561; Gallienne to Simon, 10 May 1934, A4493/671/8, F.O. 371/17498; Gallienne to Simon, 20 September 1934, A8144/671/8, F.O. 371/17498.

⁹⁰ minute by Ronald Nuisar, 7 June 1934, A4493/671/8, F.O. 371//17498; minute by [illeg.], 19 October 1934, A8144/671/8, F.O. 371/17498; minute by [illeg.], 16 May 1935, A4381/4381/8, F.O. 371/18663; Gallienne to Simon, 16 April 1935, A4381/4381/8, F.O. 371/18663.

operation, and they also expressed concerns that TACA might be using unscrupulous business methods. Yet their concerns stemmed from, one, the compromising of safety standards and, two, the threat that TACA posed to Pan Am. The “aggressive” nature of TACA in and of itself did not seem to bother them. Regarding whether Yerex was British or American, the United States shared the British perspective. They admitted that he employed American resources, but consistently stated that the company was under British control.⁹¹ Throughout Yerex’s career, the two sides would attempt to foist the New Zealander and his operations on to each other.

Yerex confused both sides in his efforts to define himself. In part this was due to circumstance. His nationality and war record placed him on the British side. In turn, his family history and the economics of airline operations placed him on the other.⁹² Yet he actively contributed to the confusion in his dealings with both sides. He did not rely exclusively on either power for diplomatic assistance. He dealt with the representatives of both governments, seeking support from both camps. With regard to the Americans, Yerex made no pretense about his citizenship--he was a British subject. As he told a U.S. official in 1933, however, while he was not American, his company should receive some consideration from the U.S. government because of its American investors, personnel, and equipment. Yet Yerex also courted British interests. He had employed the diplomatic assistance of British ministers in the region, and he had involved himself in various projects in connection with these officials. He employed them sparingly, however, relying on his own connections with Central American governments to further his aims. More importantly, in November 1934, he incorporated TACA as an American company, based in Delaware. Suddenly, both sides were in a state of confusion. Here was an “American” company owned by a “British” subject. What was their responsibility vis-à-vis TACA?

⁹¹ Hanna to Stimson, 23 November 1932, 817.796/20; Harris, G-2 Report 2412, 31 May 1934, M.I.D. 2548-150/1.

⁹² The reasons that Yerex employed American personnel and planes were rather straightforward: convenience and cost. Both American planes and pilots were readily available in Central America, and it was less expensive to maintain them than comparable British resources.

How would this affect their aviation policy? From the British perspective, they had an ongoing responsibility for Yerex, though his company was now American. Yet they did not relish the thought, as evidenced in the statement about having to make a “row” if Yerex died in a Central American revolution. For the Americans, they now had to deal with an “American” company that clearly would be a strong competitor for Pan Am.⁹³ How could they reconcile this with the “chosen instrument” policy?

Fortunately for both sides, Yerex was never shot in a revolution, and the TACA/Pan Am rivalry cooled for the moment, so neither had to confront the uncertainties surrounding TACA’s new status. Yet Yerex’s action reflected a determined independence on his part. He made the move in order to shore up his political position in Central America. To a certain extent, Yerex was willing to do whatever was necessary in order to protect his airline interests. Yet his flexibility went only so far. He would not give up his British citizenship, and he would not compromise his independence. In essence, he was his own man. As a result of this strange mix of adaptability and inflexibility, he did not fit the molds that the respective powers had for him. This would be the source of much future confusion and conflict.

During the mid-1930s, Yerex focused his efforts on developing TACA’s existing services. In the process, he developed his legend still further. One of his greatest traits was his ability to negotiate the political rapids of Central America. Not only did this entail dealing with rival factions and occasional violence, but it also meant handling certain political expectations. Yerex’s primary concern at this time was Honduras. He had the friendship of the government, but, as various diplomats noted, his close relationship with it made him an enemy of the opposition forces, and if there were a change in power, his position would be tenuous at best. To add to his problems, according to a U.S. report, members of the Honduran government were worried that if the opposition gained the

⁹³ Hanna to Hull, 12 August 1933, 817.796/25; Raleigh Gibson (Charge de Affaires ad interim, Honduras) to Hull, 8 November 1934, 815.796/131; Gallienne to Simon, 28 November 1934, A10082/671/8, F.O.

upper hand in any struggle, Yerex might switch sides.⁹⁴ In essence, the New Zealander faced hostility from one side, and suspicion from the other.

Yerex's strategy to deal with this difficult situation was complex. On the one hand, he vigorously supported the Carias government by offering to place his planes at the government's disposal in times of emergency and by maintaining the government's combat aircraft. While this was a cause for consternation in Washington and London, from Yerex's perspective it was necessary for keeping the government on good terms and keeping it in power. He also provided certain government officials with gifts of stock. Yet even as Yerex was bolstering the government and his ties with it, he also reached out to the opposition. A 1935 U.S. military intelligence report stated that he had given company stock to leaders of both Honduran parties, evidently to "insure the continued advantageous position of T.A.C.A. in Honduras." Clearly, Yerex did not place all of his proverbial eggs in one basket. He went still further. He expanded into the neighboring countries of Central America in part to have a contingency plan in case things went poorly in Honduras. According to one U.S. report, he had his equipment and planes in Honduras ready to ship to Nicaragua and Guatemala "on a moment's notice." As a final measure, he incorporated his company in the United States. Both U.S. and British diplomats stated that this was an evident attempt to secure an avenue of diplomatic recourse in the event of problems in Honduras or any other Central American country.⁹⁵ By and large, Yerex succeeded in maintaining his position in Honduras. He had few political troubles, and Tegucigalpa remained a key center for his operations.

Nicaragua provided a slightly different challenge. Here the opposition to the government was negligible, as strongman Anastasio Somoza held firm control over the

371/17498; minute by [illeg], 16 May 1935, A4381/4381/8, F.O. 371/18663; Campanole, G-2 Report 3392, 4 April 1935, M.I.D. 2548-150/9.

⁹⁴ Cohen, G-2 Report 2545, 5 October 1934, M.I.D. 2548-150/2; Gibson to Hull, 8 November 1934, 815.796/131.

⁹⁵ Lay to Hull, 17 May 1934, 815.796/122; Harris, G-2 Report 2754, 20 February 1935, M.I.D. 2548-150/5; Warren to Hull, 17 December 1935, 817.796/34; Gibson to Hull, 1 November 1934, 815.796/129; Gibson

country. As a result, there was only one man to please. However, this was not a simple task. Yerex had to deal with both national and personal motives on the part of Somoza. One incident in particular demonstrated the difficulty of dealing with the Nicaraguan leader. In late 1937, U.S. sources reported that the Nicaraguan government wanted to replace Yerex's services with a government-owned airline. A subsequent report a few months later repeated this rumor, stating that Somoza wanted to "freeze out" Yerex. The legation in Nicaragua believed that Somoza's desire to rid Nicaragua of Yerex stemmed from the latter's relationship with the Honduran government. At the time, Nicaragua and Honduras were engaged in a border dispute, and there were persistent rumors of war. Somoza, the legation theorized, believed that TACA would side with the Hondurans in any conflict. The legation noted that an old business rival of Yerex, Sumner Morgan, was busy spreading rumors to this effect. By mid-1938, Yerex was facing a serious situation. He told U.S. officials that Somoza would not meet with him and that his lawyer could not obtain an appointment with government officials.⁹⁶

Then, in October 1938, Somoza issued a proclamation annulling all contracts made by presidential decree, claiming that they were unconstitutional. Among these was TACA's operating contract. The U.S. legation reported that the government had talked to a Costa Rican operator by the name of Roman Macaya about forming a new airline in Nicaragua. The legation also related that Somoza had told an "informant" that Yerex was pro-Honduran and had "handled things with a high hand" in Nicaragua, having raised rates without consulting the government. Somoza did say that he would talk to Yerex eventually, but wanted to let the New Zealander "sit on the anxious seat" for a while.⁹⁷

Circumstances soon turned in Yerex's favor. Macaya decided against working with the government, leaving the Nicaraguan air force to operate three old tri-motors

to Hull, 8 November 1934, 815.796/131; Gallienne to Simon, 28 November 1934, A10082/671/8, F.O. 371/17498.

⁹⁶ H. Bartlett Wells (American Vice-Consul, Managua) to Hull, 26 September 1937, 817.796/38; Meredith Nicholson (U.S. Legation, Managua) to Hull, 26 September 1938, 817.796/45; William S. Cramp (Charge de Affairs ad interim, Managua) to Hull, 27 September 1938, 817.796/46.

Somoza had purchased. The air force could not operate a service for very long as it lacked the necessary facilities to service the planes. By January 1939, Somoza was willing to meet with Yerex. The legation predicted that the two sides would reach an agreement soon, “presumably by arrangements of a financial character which do not appear on the surface.” The contract took two months to negotiate, as Somoza pressed for a 50/50 partnership and a Nicaraguan majority on the board of TACA’s Nicaraguan subsidiary. Yerex was not amenable to such terms, but the talks proceeded. In March 1939, the two sides signed a contract. TACA purchased the three government planes. Estimates on the purchase price ranged from \$20,000 to \$35,000, which was greater than the value of the planes, of which only one was in serviceable condition. Various government officials were to receive free transport aboard TACA, and the airline was to enlarge its ground facilities in Nicaragua. However, there was no 50/50 partnership and Yerex held control of the airline. Interestingly enough, Somoza approved the contract himself--in the very manner he had declared unconstitutional only a few months earlier. Yerex later reported that he had given Somoza \$10,000 up front to restore his services, and 10% of the Nicaraguan company’s profits in subsequent years to stay in the dictator’s good graces. While Somoza may have been concerned about Honduras, it is likely, as R.E.G. Davies has stated, that the primary motive behind the strongman’s maneuvering was to extract money from TACA. This would not be the last such incident.⁹⁸

Guatemala proved to be just as challenging. While Yerex was able to establish an international service to Guatemala City in 1933, he had difficulties with the government. According to U.S. reports, the government was favorably disposed toward Pan Am, and would not allow TACA an operating contract for these flights. The airline had to get special permission for each flight it made into Guatemala, which was a great

⁹⁷ Nicholson to Hull, 9 October 1938, 817.796/48.

⁹⁸ Nicholson to Hull, 5 December 1938, 817.796/51; John D. Erwin (U.S. Legation, Tegucigalpa) to Hull, 16 January 1939, 817.796/54; Nicholson to Hull, 20 January 1939, 817.796/57; Nicholson to Hull, 4 February 1939, 817.796/59; Nicholson to Hull, 3 March 1939, 817.796/64; F.M. Lamson-Scribner (U.S.

inconvenience. Moreover, the government did not want TACA operating a domestic service, preferring that a Guatemalan company handle this business. In essence, the door seemed closed to Yerex. He managed to get in, however, by purchasing the national company, *Compania Nacional de Aviacion*, in November 1935. After months of negotiation, TACA received a 5-year operating contract from the government. This allowed TACA access to a very profitable field. Yet the agreement also contained elements that would lead to Yerex's eviction from the country less than five years later. Even though he had gained entry into Guatemala, the government still did not favor him.⁹⁹ Unfortunately for Yerex, this would eventually undermine a profitable operation.

In general, Yerex had great success during the 1930s in establishing a solid political base for his operations in the region. His ability to do so elicited the wonder and admiration of officials in both Washington and London for many years to come. Central America was not an easy diplomatic arena, with the various international disputes, intranational struggles, and personal factors involved. Yerex had a knack for dealing with these difficulties. Sometimes his strategy was simple--pay the right man, or just buy the right company. At other times, it was complex, as in the case of Honduras. Yerex seemed to have a rare understanding of how to manage a business in Central America. He involved local nationals to establish political connections with the "powers-that-be", he offered gratuitous services to insure friendly consideration, and he spent money to sustain or expand his business. Admittedly, circumstance did favor him on occasion, but he also seemed to know how to see an opportunity and make the most of it, more so than many other entrepreneurs in the region. He was more adaptable than one would expect of a "Britisher", yet less insensitive than the average American. In essence, Lowell Yerex "fit" in Central America. Unfortunately for him, he never fit with neither the Americans nor

Naval Attaché, Nicaragua), Report, 3 April 1939, 817.796/66; Nicholson to Hull, 3 October 1939, 817.796/74; Nicholson to Hull, 10 January 1941, 817.796/88; Davies, *Airlines of Latin America*, 92.

⁹⁹ Hanna to Hull, 1 June 1934, 814.796/67; Campanole, G-2 Report 3134, 8 November 1935, M.I.D. 2548-150/7; Campanole, G-2 Report 3392, 4 April 1936, M.I.D. 2548-150/9; Naval Attaché (Guatemala), Report, 29 October 1937, 814.796/76.

the British, and this would haunt him later. Moreover, Central America was not a stable area. One always had to be alert for changes and difficulties, and be ready to respond with flexibility. This would prove difficult for Yerex in later years, as many things would distract him from his operations in the region and leave him with little room to maneuver.

While Yerex's political savvy impressed many, it was his business acumen that made him a legend. During the 1930s he built the largest air freight operation in the world at that time. Not only was the scope of the operation intriguing, but the ingenuity as well. While Yerex did many things that most airline operators did to build an enterprise, such as establishing a radio and weather network, he also fostered a spirit of innovation that made his airline and himself legendary.

TACA's growth during the 1930s was reflected in the numbers of its planes, personnel, and facilities. Yerex began his operations with one airplane, operating to a handful of bases in Honduras. By 1934, he had enlarged his fleet to 14 aircraft, hired 10 pilots, and had a total staff of 80 persons. By the following year, Yerex had 21 aircraft with 11 pilots, with a staff of over 250 people. Moreover, TACA was operating regularly scheduled services to 23 communities in Honduras, 12 in Guatemala, 11 in Nicaragua, and one in El Salvador. In Honduras alone, TACA flew into over 50 fields on both scheduled and charter services. TACA's "book value" was, according to one U.S. report, over \$140,000. The traffic statistics were also impressive. During 1935, TACA flew over 7,000 hours, covering over 700,000 miles. It carried more than 15,000 passengers and 2.7 million pounds of freight. The gross income, according to the company, was over \$350,000. The U.S. report declared that the company was an "outstanding enterprise". Yet it had hardly reached its prime. By 1937 it had 29 aircraft, 16 pilots, and approximately 300 employees. It carried over 11.2 million pounds of freight, 21,000 passengers, 176,000 pounds of mail, 136,000 pounds of express cargo, and 250,000 pounds of excess baggage. It served over 64 communities on a regular basis and 25 "by request." Its gross income had climbed to over \$700,000. By 1939, the numbers were: 23

pilots, 36 aircraft, 550 staff members, 22 million pounds of freight, 65,000 passengers, and 354,000 pounds of mail. It maintained services to 118 fields throughout Central America and “on-call” services to about that same number.¹⁰⁰ As many U.S. officials commented, such expansion was remarkable.

Yerex, however, was not merely adding more “bush pilots.” As TACA grew, it also became more sophisticated. This was most evident in its ground facilities. In TACA’s early years, its mechanics did much of their work out in the open, at times in the “boondocks” where a plane had suffered mechanical failure. From these rather humble beginnings, TACA’s maintenance service grew in both scope and capability. Yerex established a maintenance facility at Tegucigalpa, where, by 1937, TACA had three large hangars, one with over 17,000 square feet of space and another with over 30,000 square feet. The facility employed 60 men in nine different shops. These men performed such tasks as overhauling engines (15 per month in 1937), making structural modifications to planes, and routine maintenance. By 1938, one U.S. military attaché in the region claimed that TACA’s shops were capable of building their own planes. As early as 1936 one U.S. source commented that they were the best such facilities between the United States and the Canal Zone, an assessment that others would echo in the coming years.¹⁰¹

Another important area of development was in radio. As early as 1934, TACA established a radio network in Honduras to provide weather reports, booking information, and flight instructions. Such a network had no precedent in the region. It allowed for greater efficiency and safety, and was a mark of a sophisticated airline. This network

¹⁰⁰ Yerex, 77-80,114; Walter Hoffman, Report: “Commercial Aviation in Honduras”, 18 March 1936, 815.796/137; J.B. Pate (Military Attaché, Costa Rica), G-2 Report 4483, 17 November 1938, 815.796/156; Fred K. Salter (Charge de Affaires ad interim, Honduras) to Hull, 21 September 1939, 815.796/161; LaVerne Baldwin (Charge de Affaires ad interim) to Hull, 10 October 1939, 817.796/75.

¹⁰¹ Yerex, 68; Military Attaché (Central America), Report: “Activities of Tranportes Aereos Centro Americanos, Ltd.,” 14 November 1937, 815.796/147; Pate, G-2 Report 4483, 17 November 1938, 815.796/156; Hoffman, Report: “Commercial Aviation in Honduras,” 18 March 1936, 815.796/137.

continued to expand, and by 1939 it had 16 stations operating throughout Central America.¹⁰²

TACA also became increasingly sophisticated in the air. Yerex began his operations with single-engine planes, but introduced multi-engine planes as early as 1932. The advantage of a multi-engine plane is rather evident--if one engine failed in flight, the aircraft could still remain airborne. In 1932 Yerex's fleet consisted of only one multi-engine aircraft and five single-engine aircraft. By 1936, he had 11 trimotor aircraft and 10 single-engine aircraft. By 1939, 27 of his 36 aircraft were multi-engined. Admittedly, many of these were old Ford Trimotors, built in the 1920s. Yet by 1939 Yerex had begun purchasing modern Lockheeds.¹⁰³ Thus, throughout the decade, TACA developed an increasingly sophisticated fleet.

TACA did not become legendary, however, for its sophistication or even its phenomenal growth. Rather, it became a legend because of its innovation and "daring-do" in commercial enterprise. It became known as the go-anywhere, do-anything airline in Central America. It seemed that there was nothing that TACA could not or would not fly to make a buck. Often, in so doing, it seemed to defy sophistication. It performed feats that in other parts of the world would have appeared to be reckless. Thus, the widespread perception of TACA was that the airline was a "hell-for-leather" outfit that flew fearlessly, even recklessly, in the bush of Central America. While such is the stuff of legends, it would later haunt Yerex.

Even so, the tales of TACA's innovation and daring-do are engrossing. The innovative spirit started with Yerex and spread throughout the company. It manifested itself in various areas of the operation. For example, it was evident in the company's business methods. As noted earlier, TACA operated in a region where topography made travel slow and precarious. Thus, air transport had tremendous potential for improving the

¹⁰² Lay to Hull, 10 May 1933, 815.796/111; Salter to Hull, 21 September 1939, 815.796/161.

¹⁰³ Hanna to Stimson, 6 January 1933, 817.796/21; Hoffman, Report: "Commercial Aviation in Honduras," 18 March 1936, 815.796/137; Salter to Hull, 21 September 1939, 815.796/161.

speed and economy of communication and exchange. Trips that might take hours or even days suddenly took minutes. Yet speed is not the most important factor in a successful commercial operation. The most important factor is economy. Quite simply, an airplane has to carry an adequate amount of cargo of sufficient value to generate enough revenue to make a flight profitable. Yerex realized this and developed a “deferred freight” system to insure the profitability of his operations. For a lower fee, TACA stored materials to be transported until there was a sufficient load to make a flight profitable. Because flying was so much faster than the other forms of transport available, the materials still would arrive at their destination sooner and at a lower cost. Thus, Yerex capitalized on the speed of aircraft, yet in a manner that made his operations commercially viable.¹⁰⁴

Yet commercial success was not merely the result of good planning. It also sprung from a willingness to fly just about anything to any place that had a landing strip. TACA delivered supplies, heavy machinery, and diesel fuel to isolated mines, returning with precious bullion. It hauled foodstuffs from interior towns to ports for shipment by sea, and vice versa. It carried books and medicines for hospitals and schools in small communities. It transported the entire chicle crop of Guatemala for the American gum companies. It carried manufactures, clothing, and other consumer goods for sale throughout the region. As one author noted, it carried “anything which was part of the normal trade of the country.” Of course, it also carried people. Yet even this traffic presented a potpourri. Everyone from important political leaders to businessmen to peasants used TACA. As one visitor noted, a TACA airplane “would arrive with a corpse and go away with a condemned murderer and his escort.”¹⁰⁵ Whether people or cargo, TACA would fly it if at all possible.

The matter of “if” was rarely a consideration for TACA. If something had to go somewhere, TACA personnel generally figured out a way to get it there. At times, this meant that they had to bend a few “rules” of air transport. For one thing, aircraft had to be

¹⁰⁴ Davies, *Airlines of Latin America*, 118, 129.

altered or modified to carry certain materials. During the 1930s, TACA's primary aircraft for such modification was the venerable Ford Tri-Motor, or the "Tin Goose". As R.E.G. Davies has stated, TACA's Fords underwent "a form of operational torture," performing duties "never dreamed of" by their designers. Such "mistreatment" started early in TACA's history. In 1934, it began flying supplies and equipment into the Agua Fria mine high in the mountains of Honduras. Among these materials were a 50-ton mill, two 320-foot compressors, and other large equipment. To move such materials, TACA personnel altered the aircraft. On one, they cut a 4' by 6' hatch in the top of the plane and loaded the materials by hoist into the hold. On another they cut larger hatches in the side, one with a "roll-up" cover that resembled a garage door. They even converted one Ford into a tanker. The La Luz mine in Nicaragua opened in 1939, deep in the interior of the country, many days journey from the nearest port. TACA ferried in supplies and equipment, much as it had in Honduras. However, the mine needed diesel fuel to run its generators. TACA engineers installed a 600-gallon fuel tank in a Ford, which required that they reinforce the flooring and the frame of the aircraft (since the weight of the fuel exceeded the plane's payload capacity). Because the tank filled the hold and thus blocked access to the cockpit, the engineers fitted a hatch at the top of the cockpit so that the pilot could enter the plane. Such was typical of TACA.

The "operational torture" did not merely involve modifying the aircraft. TACA also "pushed the envelope", to borrow a piece of present-day aviation jargon, in flying these machines. For one thing, the airplanes often spent much of the day in the air. For example, to supply the Agua Fria mine, a TACA aircraft made the 20-minute journey as often as 24 times per day. TACA often performed aircraft maintenance at night so that its airplanes were rarely out of service on any given day. Yet pushing the envelope entailed even more daring-do. Specifically, TACA personnel figured out how to exceed the maximum payload of an aircraft in order to glean further efficiency from its flights. The

¹⁰⁵ Yerex, 71-78; Davies, *Airlines of Latin America*, 121-130.

maximum payload for a Ford Tri-motor was supposed to be 2,500 pounds. Yet TACA personnel found that the Fords could handle 4,000 pounds on “short” hauls. In fact, they went further by removing the co-pilot and reducing the fuel load to the absolute minimum required for a given journey. This allowed the Fords to carry up to 5,300 pounds. Of course, such overloading would have appalled aviation officials in the United States and Britain, and probably contributed in no small part to the early concerns of U.S. officials.

To compound the adventure, the ground facilities offered many challenges to the flyer. As noted, the terrain was rough and undeveloped, offering few sites for landing strips. In order to reach some mines or serve some communities, TACA had to operate on some less-than-ideal landing areas. As R.E.G. Davies states:

Many of the strips were on flat land near the coast, but in Central America, many of the inland places were in hilly or mountainous country with hardly a level piece of ground available. In these circumstances, a careful balance had to be struck in judging the minimum tolerable distance of the strip from the community if it was to enjoy any air service at all. It was not unusual for the strips to terminate at the face of a mountainside, or at the edge of a ravine. Sometimes an aircraft would be out of sight when it landed, until it literally taxied up the hill and over the crest of the runway before reaching the air terminal. As for the surfaces, at least the mountain airfields, though short, usually had good drainage, in contrast with many of the coastal fields, where the pilots had to learn the location of the soft spots during the rainy season.

There were other quaint hazards as well, such as cattle standing in the midst of the runway as an airplane came in for landing. As one observer later commented, TACA pilots faced dismissal for failing to perform certain acts that would result in their dismissal in such countries as Britain and the United States. It is to the credit of TACA’s personnel that despite operating in such conditions with overloaded planes and dangerous ground conditions, it did not experience any fatal accidents between 1936 and 1943.¹⁰⁶

Thus TACA became a legend in its own time. Its dominance led one 1937 *Aero Digest* article to comment that it “has practically all the aviation business in the republics of Guatemala, El Salvador, Honduras and Nicaragua.” One *Chicago Tribune* article

claimed that its service was so reliable that long-traveled trails throughout Central America were overgrown with weeds from disuse. In late 1938, an article appeared in the *Saturday Evening Post* entitled “Flying the Jungle Run.” Author Herman Deutsch described in moving language the setting, with its dense jungle, ancient ruins, historical sites, and daunting mountains. He also explained Yerex’s “deferred freight” system, noting that Yerex “did some tall hustling” to make his operations profitable. In 1940, TACA was the subject of an article by the famed Ernie Pyle, who referred to Yerex as “the most outstanding foreigner in all Central America,” and to TACA as “the most important thing today in Central America.”¹⁰⁷ This was high praise, indeed.

The legend concerned not merely the economic and political influence of Yerex and his airline, but their social influence and image in the region. In referring to the above articles, one notes that a general theme emerges: TACA was bringing progress to the region. The airline’s new technology stood in sharp contrast to the antiquity of the land in which it served, and it was triumphing over old barriers. The new service also was egalitarian in a land of great inequality. It served president and peasant, rich and poor, foreigner and native. Because TACA was willing to fly anywhere and carry anything, it developed a mystique of pioneering and egalitarianism.

Such testimonials do not necessarily provide a completely accurate account of the social influence of TACA. One would need the perspectives of the natives of the region for this. However, it is apparent that it did have some impact. Moreover, it is clear that the European and American perspectives reflect significant preconceptions that dominated their perceptions of aviation, the region, and TACA. Such perceptions shaped their ideas about each and affected their policies. This was evident in everything from diplomatic reports to media articles.

¹⁰⁶ The conditions under which TACA operated, and the resulting legend, are well detailed in Davies, *The Airlines of Latin America*, 121-30, and Yerex, 53-109.

¹⁰⁷ Yerex, 72-7, 106-9.

From the American perspective, there were various materials pertaining to TACA's operations and their social importance. One must recall that this was the era of the Good Neighbor policy. This policy placed an emphasis on friendship between the United States and Latin America. As a result, the American public took a newfound interest in Latin America, its people and its culture. Latin America influenced the arts, media, popular culture, and other areas. On the surface, the theme of friendship was dominant. Yet underlying this were long-held perceptions about the people and the region.

One such perception was the exotic nature of the region and its peoples. In the articles by Deutsch and Pyle, the exotic is a prevalent theme. The former emphasizes the exotic nature of the land, with the "endless green mat" of the jungle to its ancient Mayan ruins. Pyle mentions that the passengers were "likely" to be "barefooted, with machetes strapped to their belts." Neither of these statements was entirely inaccurate, but they do reflect long-held preconceptions. In particular, Pyle's statement is telling because he emphasizes that likelihood of riding with a typical Latin American: one who is poor, barefoot, with a slightly menacing machete at his side. Yet this was not the only type of passenger who would ride on a TACA plane. TACA also carried politicians, businessmen, and women as well, none of whom were likely to be barefoot or carrying a machete. Both authors' emphasis upon the exotic would reinforce this theme in the minds of their readers.¹⁰⁸

The emphasis upon the exotic would affect TACA's image and reinforce perceptions about the people of the region. To refer once again to Pyle's article, he mentions that one was "likely" to find oneself "sitting on a crate", as the other passengers "distribute themselves alongside the freight." Deutsch, for his part, notes that the pilots of TACA used the ancient ruins of the region as landmarks on their flights. Again, neither of these statements is entirely inaccurate. However, they portray TACA as an oversized

¹⁰⁸ Yerex, 106-9.

“bush” operation. Admittedly, one might ride on a crate on a TACA flight to some remote village. Yet one could also ride in a nice seat on a TACA flight between the capital cities of the region. Moreover, TACA pilots did use landmarks, but they also used a modern radio system. These facts escape mention in the articles. In later years, the general perception of TACA would continue to be one of a bush operation.¹⁰⁹

Ironically, while TACA appeared to be a bush operation, it also appeared as an instrument of progress. Deutsch portrays TACA as a system that overcomes the old barriers, such as the jungle, to promote trade. This is symbolized by a plane cruising over the stretch of ancient jungle with its ancient Mayan ruins. Trade brings not only economic progress, but social progress as well. As a 1940 article by Ralph Hancock noted, TACA brought various things to the people of the region, such as clothing, medicines, and “probably a radio or refrigerator.” The article states that a “trend...toward modernism and modernization” was taking place in Latin America, producing a “social revolution”. It declares that “American styles, American automobiles, radios, refrigerators, and farm machinery,” as well as movies and magazines, were finding popular acceptance in Latin America. Who delivered such materials and promoted such social progress? The answer, according to the article, was TACA.¹¹⁰ Thus, the popular image of TACA was somewhat dichotomous. On the one hand, it was a bush operation, seemingly flying by the seat-of-its-pants, while on the other it was an instrument of progress.

The articles are also telling in their perceptions of the people of the region. For example, Hancock’s article clearly defines the Good Neighbor exchange as a one-way street. It was the Americans who brought progress and advancement to the peoples of the south with refrigerators, radios, and movies. He defines “progress” in Anglo terms—technology, material acquisition, and numbers. Moreover, the Anglos oversee progress. The articles of the period covering TACA all focus on the efforts and work of Yerex and his Anglo employees. In fact, in one, Yerex is pictured overseeing the construction of an

¹⁰⁹ Yerex, 106-9.

airport. He cuts a rather typical Anglo explorer figure-tall, well groomed, dominating the scene. In effect, it is clear that the Anglos are the people to oversee the hemisphere. While the Good Neighbor made protestations of friendship and equality, Americans continued to view the United States as the natural leader of the hemisphere. As for aviation, the American media viewed Anglos as the natural leaders in this field of progressive endeavor.¹¹¹

These attitudes were prevalent in American diplomatic circles as well. Regarding TACA, while there were numerous reports praising the airline's efficiency and technological advances, others degraded its operations. Specifically, there were claims that TACA was using planes and fields that did not measure up to American safety standards. One 1939 report, while admitting that TACA had not experienced an accident in over five years, stated that several were due to occur because TACA relied on old airplanes. Pan Am was the source of several such reports, including one emphasizing TACA's "economies" in using older planes and fields that Pan Am would consider unsuitable. In effect, the image of TACA in some diplomatic circles was one of a company that operated on a proverbial shoestring.¹¹² Again, this was not entirely inaccurate, as TACA did make certain economies, and did operate from some fields that would have caused operators in the United States to shudder. Yet this ignored such progressive things as the radio network. Again, if one were to read some reports, it would appear to be an oversized bush outfit.

There were also certain attitudes about Central America and its people that are prevalent in these reports. On the one hand, it was clear that many U.S. officials considered their fellow Americans to be the natural leaders in such enterprises in the region. One 1938 report from the U.S. military attaché in Guatemala, J.B. Pate, is

¹¹⁰ Yerex, 106-9; Ralph Hancock, "TACA...Jungle Air Freighter," *Aviation* 39:1 (January 1940): 30-31, 88.

¹¹¹ Hancock, "TACA," 30-1, 38; Hancock, "Jungle Airport," *Popular Aviation* 25:2 (August 1939): 53-4, 78.

particularly telling. In it, Pate notes that most of TACA's maintenance personnel are Central Americans. However, he is careful to mention that the foremen and the "technicians holding key positions" are American. Pate praises Yerex for his accomplishments, noting, "it required a man of unlimited courage, of great vision, and of outstanding executive ability to visualize that Honduras, most primitive of the five Central American republics, might represent a fertile field for air transport." In essence, Anglos such as Yerex and his foremen were needed to bring progress to the "primitive" Central American region. If there were no overt doubts about the abilities of Central Americans in this report, there clearly are some in a later dispatch from the U.S. minister in Nicaragua. Relating the latest information on a new Nicaraguan-TACA contract, the minister noted that the agreement called for the use of Nicaraguan pilots by TACA. The minister declared, "My frank opinion as to the ability of Nicaraguan aviation men is that the [Nicaraguan air corps] does not include a single individual who can be regarded as a pilot." The minister did praise the Nicaraguan radio corps, which would lend its help in TACA's radio network. However, this "large and well-trained organization" was under the direction of a former U.S. Marine. Yet even Americans in Central America were not always the subjects of unqualified praise. One military intelligence report stated that the Americans working in TACA's maintenance shops were those who could not get a job back in the states.¹¹³

On the British side, there were few differences in the perception of TACA or the region. Gallienne's earliest report on TACA was replete with many of the above themes. He opened his report with the statement, "Honduras is the most primitive country in the Americas yet Honduras is the most air-minded country in the world." He declared that the first point was "an unquestioned fact", and then proceeded to explain the second point.

¹¹² Erwin to Hull, 10 November 1939, 815.796/168; Juan Trippe (President, Pan American Airways) to Thomas Burke (Chief, Division of International Communications, U.S. State Department), 23 August 1939, 815.796/158; Pate, G-2 Report 4478, 17 November 1938, 815.796/156.

¹¹³ Pate, G-2 Report 4478, 17 November 1938, 815.796/156; Nicholson to Hull, 20 January 1939, 817.796/57.

He noted the many problems confronting aviation in the region, including the rough terrain, the “aboriginal tribes” in the mountains, and cattle grazing on the runway. He claimed that the popularity of flying was due to three factors. One, there were few good roads (as one might expect in a “primitive” country). Two, Hondurans had few concerns about the safety of flying, as “life is not valued very highly and quite unnecessary risks are taken carelessly and fatalistically.” Third, they had confidence in flying because “faith in the efficiency of the ‘gringo’ has something to do with it.” He continued,

One is accustomed to think of an air-line as a carefully-studied organization, with responsible officials, adequate capital, and probably concessions and subsidies. Not so here. An out-of-work impecunious pilot borrows enough money to buy a cheap second-hand plane and look around for passengers and freight wherever he can find them.

Of course, this was referring to Yerex. In closing, Gallienne commented “Honduranean aviation is not progressive, or advanced and certainly not efficient, but the people of Honduras look upon the use of the air for freight, mails and passengers as no novelty but part and parcel of ordinary normal living conditions.”¹¹⁴

One official in London, upon reading the report, noted that Gallienne “was very brave to risk his neck in a flight carried out in the conditions he describes.” Clearly, Yerex’s early operations did not measure up to British standards, and his operations struck them as being risky, both in economic and operational terms. Yet while they did not regard his operations as being “progressive” in and of themselves, they did see it as an instrument of progress. As noted above, Gallienne praised TACA for its efforts to build an amusement center and establish a golf club in the area. Later reports would praise the airline for the “progress” it brought to the region.¹¹⁵ Much like the Americans, the British viewed TACA as both backward and progressive, and the people and the region that it served as primitive.

¹¹⁴ Gallienne to Simon, 8 August 1933, A6511/6511/8, F.O. 371/16561; Gallienne to Simon, 20 September 1934, A8144/671/8, F.O. 371/17498.

¹¹⁵ minute by [illeg.], 14 September 1933, A6511/6511/8, F.O. 371/16561; Gallienne to Simon, 20 September 1934, A8144/671/8, F.O. 371/17498.

There was a significant difference in the perspectives of the two powers. American accounts of Yerex and TACA presented them as a business. They were rife with references to passengers and freight carried, miles flown, and dollars made. The British, on the other hand, regarded TACA as primarily a means of communication. Their early reports make little reference to “business” numbers. These divergent emphases reflect divergent perspectives. For the British, commercial aviation was a means for improving communication. For the Americans, it was a means of fostering trade and investment.

By the late 1930s, Yerex had established TACA on a solid footing in Central America. He was operating in and between four of its republics, and had ties to the fifth. His operations saturated Central America, making TACA, in the words of R.E.G. Davies, a “household name” in the region. His operations were efficient and highly profitable, generating increasing revenues on a yearly basis. According to his nephew, while his operations would spread further in the coming years, they would never again operate as efficiently as they did during this all-too-brief heyday. TACA and Yerex had elicited admiration from diplomats, soldiers, and journalists. Both had become legendary. Yet Yerex was not yet satisfied. His airline provided him with fame and fortune, but he saw greater opportunities, broader horizons, and endless possibilities. The reasons for this almost insatiable desire are difficult to fathom. One U.S. report claimed that Yerex had a marked inferiority complex that he had developed as a child. His nephew speculates that it could be due to a disdain for a secure livelihood so typical of early fliers, or perhaps to the “pioneer spirit of his New Zealand upbringing.” One might wonder if the last point might be more accurately stated as his *American* upbringing. Whatever the case, his nephew states that Yerex had “an ambition to build something that he could point to as a true success...an achievement that no one would ever be able to label second rate, and which would wipe out past failures.”¹¹⁶ In the coming years, Yerex would pursue this

¹¹⁶ Yerex, 41.

ambition, seeking to build a truly great international airline, one that would cover the western hemisphere, and perhaps more. Of course, such vision required additional resources and would attract the attention of key powers. It is at this time that the United States and Great Britain had to deal with the man who was a part of both of their worlds. He would pose challenges to their policies, ideals, and preconceptions about the field. Moreover, he would present them with an option: would they accept him as a hybrid, or reject him as a mongrel?

CHAPTER FOUR: BETWEEN TWO WORLDS

In the late 1930s, Lowell Yerex once again turned his attention to international airline operations. While his present operations were both profitable and successful, he was not satisfied. He dreamed of building, to borrow his nephew's words, a "first-rate" international airline in the western hemisphere. To operate in the international field, he needed the support of a powerful nation. Only the great powers could provide necessary subsidies, planes, and diplomatic support. His choices were, quite simply, the United States or Great Britain. He had to convince one or the other that he was an acceptable candidate for their support. This would prove to be challenging. Both sides expected him to "shape up" his airline by ridding it of certain associates and implementing new operational and material advances. Yerex had little difficulty in complying with this wish. He had become an established businessman by taking operational and political risks, but having reached the pinnacle in the field, he now craved stability. However, this was not his biggest challenge. Each party had its own demands as to what Yerex had to do to be acceptable. Thus, for the next few years, Yerex would find himself in the midst of a storm, trying to please the British and/or the Americans, as well as their respective aviation establishments. All the while he endeavored to define his own sense of respectability and self-identity. As a hybrid, in these early years he came closest to appealing to both sides.

By the late 1930s, Yerex had entrenched himself as the dominant figure in Central American aviation. He had done so by focusing his attention upon developing a network of local services throughout the region. Yet Yerex had a long-held desire to establish an

international network in the region. Moreover, his operations, while largely local, did include services between four of the Central American countries, and also with the colony of British Honduras. In effect, Yerex already was engaged in international operations, a fact which concerned Pan Am. While the conflict between the two airlines had cooled since TACA's early years, there remained an underlying rivalry. Pan Am continued to oppose further expansion of TACA's international operations. These operations, coupled with Yerex's ongoing interest in them, made TACA an object for close scrutiny by the American chosen instrument. The first sign of expansion by TACA would be sure to rekindle the commercial conflict.

In the fall of 1938, rumors began circulating that TACA was moving to expand its operations to Costa Rica. In September, U.S. military attaché J.B. Pate reported that R.J. Kennett, a TACA vice president, was negotiating with the Costa Rican government for an operating permit. Pate noted rumors that TACA was to buy the local company ENTA, which would be a significant move since ENTA operated an international service to Panama. The military attaché stated that TACA's efforts in Costa Rica were "logical" because they were consistent with its "announced intention to eventually have a service from the United States as far south as Panama." He believed that ENTA's managers would be willing to cooperate with TACA, since it was too large to battle. Rumor soon gave way to action. In October, TACA founded a Costa Rican subsidiary, naming several leading Costa Ricans to its board. While it was not yet operating, the framework for further expansion was in place.¹¹⁷ Yerex had just fanned the flames of rivalry.

Pan Am would not let the challenge pass. Soon reports were flowing into Washington about various rumored efforts by Pan Am to undermine TACA. The principle source of these reports was Pate. He related that Pan Am may have "egged on" Somoza in his difficulties with TACA at this time. He stated that Pan Am continued to contest TACA's international mail contracts and circulate unfounded rumors about the

safety of its planes and Yerex's supposed participation in various illegal activities. He claimed that Pan Am's animosity had reached such levels that it had arranged to have Yerex "shadowed" during a recent trip to the United States.¹¹⁸ While no other U.S. sources confirmed these rumors at the time, they would do so later.

Yerex now turned to the U.S. government for help. In part, he needed its blessing for any Panama route, over which the United States held virtual veto power. Yet he also needed it to rein in Pan Am. While TACA was a powerful entity, a clash with Pan Am could be damaging. Over the next several months, Yerex made overtures to the State Department. He found, however, that any U.S. support came with conditions. Some he could meet with little difficulty, but others were distasteful.

One thing Yerex had to do was improve his image with U.S. officials. While his operations had elicited favorable comment, there were doubts about him and his airline. Some, as noted above, concerned TACA's safety record. Yet others regarded the character of Yerex and his associates. Meredith Nicholson, in a late 1938 dispatch to the State Department, mentioned various connections with people of "ill repute" and charges of drug smuggling and contraband trade. While acknowledging that some of these rumors might be groundless, Nicholson stated, "the fact remains, however, that the Taca enterprise has a considerable quota of unsavory associations." Alex Cohen, an official attached to the military attaché's office in Costa Rica, echoed these sentiments. He noted that Yerex's newly formed Costa Rican subsidiary had board members who were "unscrupulous" and were "illustrative of the type of men TACA is availing itself of to gain its ends." Of particular concern to U.S. officials was Kennett, who had a conviction for drug smuggling. Regarding the charges of smuggling against Yerex, in mid-1939 the Federal Bureau of Investigation passed on a report to the War Department about a 1935 investigation into a New Orleans smuggling ring. The report alleged that Yerex had

¹¹⁷ Pate, G-2 Report 4424, 19 September 1938, M.I.D. 2548-150/17; Cohen, G-2 4463, 21 October 1938, M.I.D. 2548-150/19.

connections with the chief suspects and was involved in the scheme. The investigation produced no formal indictments of Yerex or TACA, but it would stain his reputation in U.S. government circles. There were other doubts as well. Many U.S. officials were uncomfortable with Yerex's political commitments in the region. Specifically, they did not like the clauses in his contracts that obliged him to assist the government in the event of revolution or unrest. In fact, one U.S. official went so far as to ask if this would not constitute a violation of the Neutrality Act, since TACA was technically a U.S. company.¹¹⁹ In sum, Yerex was associated with unscrupulous individuals, illegal activities, and problematical political commitments.

Yerex made a conscious effort to improve his reputation in Washington. He did so by developing closer ties with U.S. officials in the region. In most cases, if he did not win them over to his cause, he at least muted their criticism. He also endeavored to disassociate himself from various unsavory ties. Yet he also benefited, ironically, from Pan Am. As the months passed, many U.S. officials became increasingly disgusted with the chosen instrument and its tactics. As a result, they came to embrace TACA.

While Yerex had his strident critics in Central America, he also had his ardent supporters. According to many contemporary accounts, Yerex could be quite charming despite an inherent shyness and a slight stammer in speech. In fact, his charm would become almost legendary in London in later days. Americans were not immune to the spell. One of Yerex's most enthusiastic advocates in the late 1930s was the U.S. military attaché, J.B. Pate. Pate's early reports on TACA were unexceptional in tone or content. They detailed TACA's equipment, political problems, and plans for expansion--much the same material as one could find elsewhere. Yet the volume of his reports and the fact that

¹¹⁸ Pate, G-2 Report 4475, 8 November 1938, M.I.D. 2548-15/20; Pate, G-2 Report 4478, 17 November 1938, M.I.D. 2548-150/22

¹¹⁹ Nicholson to Hull, 31 October 1938, 817.796/50; Cohen, G-2 Report 4463, 21 October 1938, M.I.D. 2548-150/19; J. Edgar Hoover (Federal Bureau of Investigations) to Colonel E.R. Warner McCabe (Assistant Chief of Staff, War Department), 16 August 1939, M.I.D. 2548-150/33; Naval Attaché, El Salvador, Report 506-200, 7 January 1938, 816.796/50.

he claimed to have discussed many of these issues with TACA personnel revealed a growing interest in the airline.¹²⁰

This interest soon turned into advocacy. In November 1938, Pate filed a lengthy report that included a “biography” of Yerex, a “history” of TACA, and a detailed account of the airline’s operations. Pate’s biography was brimming with praise. He noted that the account was “substantially Mr. Yerex’s own story,” revealing a surprising degree of intimacy with the New Zealander. He “entirely” credited TACA’s success to Yerex’s “sourcefulness and energy.” He lauded TACA as “a shining example of disproving the axiom that either direct government subsidies or juicy mail contracts are an essential to the maintenance of commercial air service.” He declared that the airline “merits the approbation of everyone concerned.” Pate acknowledged that there were “certain suspicions” about TACA and its chief. In part he defended Yerex by declaring that in TACA’s early years he had little choice but to surround himself with certain unscrupulous figures, and for the sake of survival he might even have resorted to some “illicit activities.” However, Pate continued, these days were long past, and TACA was now too important for Yerex to jeopardize by engaging in such activities. Yet Pate did not capitulate to the critics. In another section of his report, he asserted that “certain representatives” of the U.S. government were the victims of misinformation by Pan Am. He castigated the American chosen instrument for its “undue amount of ill-will” toward TACA, as well as for the various problems it was causing. He dismissed Pan Am’s ongoing charges concerning safety and legal issues as “baseless” and “ridiculous,” and noted that several “outstanding persons” of both American and foreign nationality who were familiar with Yerex and TACA also dismissed such claims.

In his subsequent report on TACA, Pate charged Pan Am with conducting a deliberate campaign in Central America and in the State Department to discredit TACA, all in order to “undermine the strongest argument against the subsidy...which Pan

¹²⁰ Pate, G-2 Report 4432, 19 September 1938, M.I.D. 2548-150/16.

American has been receiving from the U.S. Government.” He specifically repudiated many of the charges against TACA and praised its efficiency and success. He declared that TACA’s success was due to its “excellent organization,” as well as its economy, frugality, and resourcefulness. He took care to mention that while Yerex was not an American, his planes and pilots were, and that Yerex had applied for U.S. citizenship on two occasions, having failed to receive it only because he had to leave the United States before meeting the residency requirement. The loyalty of the organization and its people to the United States were “unquestioned,” and Yerex had made a personal offer to take up U.S. citizenship. Pate concluded that it was unfortunate that TACA had not received the U.S. government’s support, as it was of vital importance to American economic interests in the region and provided an outlet for U.S. planes and pilots.¹²¹ Clearly, Pate was lobbying on Yerex’s behalf.

Pate would continue in this effort in the coming months. In June of 1939 he gave a hearty endorsement of TACA’s plan to operate across the Panama Canal. He noted that Pan Am’s services were too expensive for many and that “someone” was bound to exploit the field of low-cost transport. Claiming that TACA “exclusively” employed American pilots, Pate declared that it was the best candidate to fill this need. He made no mention of Yerex’s nationality. In fact, if one were to read the letter without any background information, one would conclude that TACA was, to borrow Pate’s description of its personnel, “one hundred percent American.”¹²²

While Pate’s advocacy was significant, Yerex’s ability to attract allies was all the more impressive when it came to his critics. One such critic was Alex Cohen, whose earlier scathing report on TACA made him an unlikely ally. However, both Pan Am’s campaign against TACA and a greater familiarity with TACA’s operations converted Cohen to Yerex’s cause. In December 1938 he filed a report of an incident involving Pan Am. Cohen had gone to the local Pan Am offices to mail a roll of maps to Yerex for

¹²¹ Pate, G-2 Report 4478, 17 November 1938, M.I.D. 2548-150/22.

corrections.¹²³ The local Pan Am agent had refused to accept the maps without a “commercial invoice.” Cohen asserted that Pan Am had shipped such materials before without the invoices, and thus the “logical conclusion” was that the Pan Am employee was trying to hinder any correspondence with Yerex. Cohen referred to the incident as “a typical illustration of the animosity manifested by Pan American Airways personnel towards T.A.C.A.”¹²⁴ Of course, the action also hindered the efforts of the attaché to gather important intelligence information, a fact that could not have endeared the giant airline to Cohen.

The following February, Cohen reported the signing of a new contract between the Nicaraguan government and TACA. He lauded it as another “feather in the cap” of the airline. This statement is somewhat ironic considering that the deal involved some behind-the-scenes dealing by TACA, when Cohen had just months earlier censured TACA for its shady associations in Costa Rica. The most telling report from Cohen had come earlier that month. In it, he related his findings during a personal inspection of TACA. He praised “every department” for its “efficiency.” He stated that the pilots were “competent, efficient, and well acquainted with their territory.” The airline operated an extensive and efficient network of radio stations. It had shops that were both large and “outstanding in their neatness and efficiency.” The ground crews were prompt in servicing and dispatching aircraft, as well as in handling the cargo. While the equipment “shows signs of rough service,” it generally appeared to be “in excellent condition.” Cohen predicted, “the time is not far off” when government agencies and other airlines would come to inspect TACA in order to learn from “what unquestionably is the world’s outstanding low-rate, money making, air freight operation.”¹²⁵

¹²² Pate, G-2 Report 4668, 20 June 1939, M.I.D. 2548-150/28.

¹²³ It is likely that these were maps of airfields that the attaché was preparing for military intelligence records. Several such maps would later appear in the files of the military intelligence division and the State Department.

¹²⁴ Cohen, G-2 Report 4520, 10 December 1938, M.I.D. 2548-150/23.

¹²⁵ Cohen, G-2 Report 4581, 27 February 1939, M.I.D. 2548-150/25; Cohen, G-2 Report 4574, 23 February 1939, M.I.D. 2548-150/24.

At this juncture, no such dramatic change in attitude took place in the diplomatic ranks. Nicholson, for example, did not become an ardent advocate of TACA. This was not due to a lack of effort by Yerex, who tried to generate support amongst U.S. diplomatic representatives in the region. He paid more than one visit to Nicholson to complain about Pan Am's rumor mongering against TACA and to refute specific allegations. In an effort to allay U.S. concerns, Yerex even offered to dismiss any employee that the State Department found "objectionable." The department did not avail itself of Yerex's offer. Its attitude at the time was tinged with uncertainty. One memo stated that TACA was the result of Yerex's energy and resourcefulness, and that charges of smuggling were groundless in light of the fact that Yerex would not jeopardize his successful company with such activity. (The language herein is almost verbatim from Pate's reports, demonstrating that his words were not falling on deaf ears.) Yet Yerex was also "ruthless", and did employ certain individuals with criminal records. Furthermore, he was not an American citizen. Admittedly, his planes and personnel were overwhelmingly American, and his operations served key U.S. interests in the region, but the department was non-committal. The memo suggested that further information be obtained from Central America before setting any policy.¹²⁶

Further concerns would arise in August, when Yerex made several decisive moves to expand his operations. First, he purchased five Lockheed-14 aircraft. Unlike his previous aircraft purchases, these were newer, faster, sleeker models, well suited for international passenger services. Second, he purchased the Costa Rican airline ENTA, which opened the possibility for a Panamanian service. Third, he formed TACA, S.A., as a Panamanian-based holding company, under which he organized his various local lines. Finally, he founded "TACA El Salvador." Unlike the four individual companies in Costa Rica, Nicaragua, Honduras, and Guatemala, he specifically designated the El Salvadoran branch as an international carrier rather than a local carrier. By October, this branch of

¹²⁶ Nicholson to Hull, 8 May 1939, 818.796/88; Gerald A. Drew (Division of American Republics, U.S.

TACA had initiated services between San Salvador and San Jose. These tied in with services between Nicaragua, Honduras, and British Honduras. Yerex was seeking entry into Guatemala as well. True to form, TACA charged low rates for this service, undercutting Pan Am's fares by 30-40% on the parallel routes. TACA officials emphasized that they would cater to the "less affluent," and thus would not compete directly with the American instrument. Pan Am was nonetheless strongly opposed to the new service. Juan Trippe dispatched a letter to Thomas Burke, Chief of the International Communications Division of the State Department, declaring that TACA represented a "distinct threat to the American international services operated through Latin America." He argued that it was not an American company because its planes were not registered in the United States and did not conform to U.S. safety standards. Trippe stressed the supposed lack of safety of TACA's operations, from "obsolete" aircraft to underpaid pilots to unsuitable landing fields. He referred to Yerex as a "barnstormer" who owed his success in part to "playing politics" in Honduras. Trippe did give the devil his due, so to speak, by admitting that TACA had doubtless stimulated development in the region. Yet the purpose of the correspondence was clearly to portray TACA as a "foreign," second-rate operation that could undermine the U.S. position in the region.¹²⁷

If Pan Am had limited itself to writing letters, it might have had the department firmly on its side. However, Pan Am had long been a rather ruthless organization, crushing its competition by whatever means. The U.S. government had never vigorously protested its tactics. Thus, Pan Am officials must have felt reasonably confident that their benefactors would not give them much difficulty over how they treated TACA. As a result, they launched a vicious campaign to eliminate TACA as a viable competitor.

State Department), "Memorandum on Mr. Lowell Yerex, President of TACA," 29 July 1939, 815.796/157.

¹²⁷ Davies, *Airlines of Latin America*, 121, 130; Nicholson to Hull, 15 August 1939, 818.796/97; William Hornibrook (U.S. Minister, Costa Rica) to Hull, 24 August 1939, 818.796/100; Robert Frazer (U.S. Legation, San Salvador) to Hull, 21 October 1939, 816.796/53; Salter to Hull, 24 October 1939, 815.796/165; Trippe to Thomas Burke (Chief, Division of International Communications, U.S. State Department), 23 August 1939, 815.796/158.

Unfortunately for Pan Am, this would backfire, and the department's sympathy for Yerex would grow in the coming months.

On September 21, 1939, a startling report arrived at the department from the U.S. legation in Costa Rica. It contained a signed affidavit from Eugene LeBaron, an American attorney in the employ of TACA. In the affidavit, LeBaron stated that Alfonso Macaya, who shared ownership in a Costa Rican airline with his brother Roman, informed him that Pan Am had approached the Macayas with a proposition. Pan Am would pay them \$50,000, and in return they would "take instructions" from Pan Am. The Macayas were to expand their operations in Central America, paralleling TACA's routes. They would then reduce their rates 50%, thereby undercutting TACA. Pan Am would provide them with more modern equipment for expansion and would "absorb" the losses from the rate cuts. These arrangements would, of course, be secret.¹²⁸ In effect, Pan Am was going to use a "front" to undermine its competition.

U.S. officials in the State Department were appalled. Such a scheme was both unconscionable and could greatly harm American prestige in the region should it ever become public. Some officials called for immediate and firm action. Gerald Drew, of the Division of American Republics, declared that the department should not allow Pan Am's "special position" to permit the activity to go "unnoticed." He proposed that department officials "call in Mr. Trippe and tell him what we think of this business." The department dealt with Pan Am on this issue, but not as aggressively as Drew suggested. Instead of Trippe, department officials met with George Rihl, a Pan Am vice president, in mid-October. For most of the meeting Rihl belabored Pan Am's charges against TACA. He admitted that TACA's internal services were useful to Pan Am, but emphasized the old charges about its obsolete planes, its underpaid pilots, its foreign ownership, and the threat it posed to "American" aviation interests. Only at the end of the meeting did department officials mention to Rihl that they had heard about the "negotiations" with the

¹²⁸ William Hornibrook (U.S. Minister, Costa Rica) to Hull, 2 September 1939, 818.796/103.

Macaya brothers and that this “had been the cause of some concern” in light of the adverse results if they became public knowledge. Rihl agreed that this course of action would be “most unwise.”¹²⁹ There was no strong warning or rebuke. Rihl probably left the meeting thinking that Pan Am would have to be more clandestine in its maneuverings, rather than abstain from them.

While the State Department was displeased with Pan Am’s actions, it now found itself in a predicament, not only with regard to Pan Am’s tactics vis-à-vis TACA, but also with regard to its relationship with the airline as a whole. Quite simply, with Pan Am as the only U.S. international airline, the U.S. government could ill-afford to oppose it at this time in light of the recent international developments. Thus, however distasteful the airline’s actions were to U.S. officials, they were, in a sense, “stuck” with it. With regard to TACA, they certainly could not support it in opposition to their “chosen instrument.”

This fact was made manifest in a department meeting held in mid-December 1939. Members of the Division of International Communications and the Division of American Republics met to talk about TACA’s desire for expansion. LeBaron recently had visited the department to discuss two matters pertaining to this. One was TACA’s concern that the Guatemalan government might not allow TACA to operate an international service to its capital because it was uncertain about the U.S. government’s attitude toward the airline. The second was TACA’s interest in operating over the Canal. On both issues those officials present at the meeting rejected any decisive action. Regarding the issue of Guatemala, they decided it would be best if the United States refrained from informing the Guatemalans of their views. Regarding the Canal, the department would take no initiative, although if the proper aviation authorities decided to consider the matter it would state that it could not oppose TACA on any grounds relating to international affairs. The officials simply felt that there were no grounds on which the

¹²⁹ Drew, memo, 25 September 1939, 818.796/103; Division of International Communications, “Transportes Aereos Centro Americanos, LTD (TACA),” 14 October 1939, 818.796/110.

department could oppose TACA's designs in either case. However, they certainly were not going to aid its cause.¹³⁰

Some officials believed that even this non-committal attitude was more help than the department should render. Laurence Duggan, of the Division of American Republics, composed a memo immediately following the meeting in which he reminded his colleagues that the government had backed Pan Am "from the very beginning" in developing its international services because it believed American interests required "American controlled international airways" in the region. While he praised TACA's success in local operations and acknowledged its importance to the region, he believed that the United States should continue to support Pan Am without competition. The U.S. government should not do anything that might undermine it. If it had any "defects," the U.S. government should address them through face-to-face negotiations with the company, not by supporting a competitor. As for TACA, it would be best for U.S. interests if it remained exactly as it were-a "feeder" airline. In conclusion, he noted two things. One, commercial aviation was becoming too important strategically, economically, and politically to "take any chances." Second, "I cannot escape a certain feeling that if Yerex is as pro-American as he is portrayed to be he should have no hesitation either in spending the time necessary to acquire American citizenship or in selling out a majority control of his company to American citizens."¹³¹ In one letter, Duggan voiced two concerns that would undermine Yerex in the coming years. One was simply a suspicion about his loyalties, a suspicion that would grow in the coming years in the State Department (as well as on the other side of the Atlantic). The other was simply that aviation was becoming too important to trust anyone but those who were clearly on the American side. Yerex, who was his "own man", had no place on such teams.

¹³⁰ Division of International Communications, "Reported Desire of TACA to Enter Guatemala and Panama (Crossing the Canal Zone) on an International Air Transport Service," 21 December 1939, 814.796/83.

¹³¹ Laurence Duggan (Division of American Republics) to Burke, Sumner Welles (U.S. Under-Secretary of State), 21 December 1939, 813.796 TACA/4-1/2.

From the perspective of the department, it would have been ideal for the problem simply to go away. Its officials perhaps hoped that the talk with Rihl would lead Pan Am to ease its assault. Unfortunately for them Pan Am only got worse. To add to their misery, it was behaving badly throughout Latin America, and even contravened U.S. policy on occasion. As the faults of the American champion became more evident, there arose a groundswell of opposition to it. Some now believed that the best way to handle Pan Am was to find a challenger. An obvious candidate was Yerex, who had fought Pan Am to a standstill without a government subsidy. If only he could be linked with an American concern, he would present the perfect means to check Pan Am. Throughout 1940 and 1941, this would be the course of action that the department pursued.

The particulars of the growing rift between the government and Pan Am appear in the first chapter of this work. Pan Am's activities in Central America further contributed to the disgust in the U.S. ranks. Contrary to the hopes of the department, its tactics did not improve. In February, reports came from Central America that Pan Am had cut its rates for international flights in the region by 50%. However, it only did so on routes over which it competed with TACA. As the rivalry continued to intensify, the department called a meeting in April to cool the dispute. It invited Pan Am and TACA officials to meet with department officials to discuss the conflict. At the meeting, Rihl castigated TACA's business abilities and financial standing. LeBaron defended TACA and accused Pan Am of dirty tricks. The tone of the meeting was anything but cordial.¹³²

State Department officials realized that the meeting had resolved nothing. On April 9, Sumner Welles, the undersecretary of state, sent a memo to all Central American legations about the talks. He noted that the competition was likely to intensify and instructed the legations to observe and report any developments. The response from Central America to the enclosed memo was overwhelmingly favorable to TACA. Robert

¹³² F.H. Lamson Scribner (U.S. Naval Attaché, Central America), Report 1006-200, 19 February 1940, 810.79611 P.A.A./1806 1/2; Sumner Welles (U.S. Under-Secretary of State) to Fay Allen Des Portes (U.S. Minister, Guatemala), 9 April 1940, 814.796/89.

Frazer, the U.S. minister in El Salvador, while readily admitting that neither airline was “ethically blameless,” emphasized that TACA’s business methods had “substantially improved.” Thus, he argued, Rihl’s comments that TACA was ““sure to go broke”” and was a ““cock-eyed outfit”” were “certainly very wide of the mark.” Frazer went on to state that TACA, while not “technically” an “American” airline, did employ American planes and pilots exclusively, and that Yerex had endeavored to become a U.S. citizen. Moreover, he declared, competition was “healthy,” and in fact had forced Pan Am to cut its rates from rather “exorbitant” levels. He declared that Pan Am had not supplied the best air service to the region, and thus he believed that TACA should be “encouraged rather than discouraged.”¹³³

Other U.S. diplomats joined Frazer in support of TACA. In fact, Yerex made two important converts. One was Nicholson, who had been at best lukewarm toward the company. However, in response to Welles’ dispatch, Nicholson came out in strong support of TACA. He emphasized that TACA could offer lower fares than Pan Am, and pointed out that the latter had not even bothered to offer a stopover in Managua with its new DC-4 service. Nicholson then offered a rather surprising opinion. He noted that while Yerex was a New Zealander and owned 90% of the airline, TACA employed American pilots and planes, and was “entirely dependent on the United States for its supplies, for repairs, maintenance, and equipment of all kinds.” Furthermore,

Although it may not be incorporated in the United States nor owned by an American citizen, it nevertheless has many aspects of an American business, in fact many more than that of many foreign branch plants of American industry. It would be interesting to compare unit for unit the nationality of personnel and the source of materials of Pan American Airways and of TACA.

Nicholson frankly admitted, “this dispatch will appear partial to TACA.” He acknowledged that the company had its “failings,” among them some unsavory associates, but pointed out that Pan Am had its own shortcomings. To support this assertion, he related an incident involving Dr. Hernando Robleto, a Nicaraguan cabinet

¹³³ Welles to Des Portes, 9 April 1940, 814.796/89; Frazer to Hull, 23 April 1940, 816.796/56.

minister. Robleto had launched a press campaign against Pan Am because it had “stranded” him in Costa Rica on a return flight from Panama. Apparently the airline had overbooked the flight and had forced Robleto to wait for the next plane so that it could board eight American passengers. Robleto’s complaints about his treatment included “embellishments dragging in racial discrimination and obnoxious gringos.” The local Pan Am representative claimed that the minister was being so virulent about the affair only because TACA had “put [him] up to it.”¹³⁴ Nicholson commented that this last remark was evidence “of general Pan Air bad feeling toward TACA” and indicated that the giant airline was not prepared to peacefully co-exist with its smaller competitor.¹³⁵ Nicholson’s dispatch is rather stunning. Despite TACA’s “failings,” it is clear that he held it in as high regard as Pan Am, perhaps higher. Moreover, at one point Nicholson seems to suggest that TACA was more “American” than the Americans! This would be the appeal that Yerex and his airline held for the U.S. government in the coming months.

Another convert was Fay Allen Des Portes, U.S. minister to Guatemala. Des Portes had assumed this post in late 1939. In the early months of his tenure, he was anything but favorable to TACA. In an October 1939 dispatch about TACA, he reported that the local Pan Am representative had told him that a foreign interest was behind TACA. While noting that the source of this information was suspect, Des Portes nonetheless related the information, as well as rumors of ties between TACA and the United Fruit Company. (His tone regarding this connection was unfavorable.) In later dispatches, Des Portes clearly implied that he had held an unfavorable opinion of TACA. In fact, the British Minister made mention of this unfavorable attitude as well.¹³⁶

¹³⁴ Nicholson, for his part, blamed Robleto’s campaign upon, one, “a certain jealousy of Americans,” two, a “strong pro-Mexican feeling” that the present incident “stirred up,” and, three, “the jilting by a Nazi of his daughter.” The last seems rather nonsensical (why would he lash out at Pan Am if he were upset with a Nazi?) while the other two imply stereotypical beliefs.

¹³⁵ Nicholson to Hull, 27 April 1940, 817.796/84.

¹³⁶ Des Portes to Hull, 18 October 1939, 814.796/81; J.H. Leche (H.M. Minister, Guatemala) to Lord Halifax (H.M. Foreign Secretary), 15 March 1940, A2189/341/51, F.O. 371/24207.

Des Portes' attitude soon changed radically. In May 1940, he reported an incident in which Pan Am had used its influence with the Guatemalan government to prevent TACA from obtaining a permit for a charter flight. Des Portes stated that Pan Am had been unable to provide a plane for the party requiring the service, and that its fares were much higher than TACA's. He noted that the British legation was protesting to the Guatemalan government regarding its action. Des Portes did some protesting of his own to the department. He castigated Pan Am for its "dog-in-the-manger attitude" toward TACA and its "scarcely defensible" tactics. The minister warned that the airline was tarnishing the reputation of its economic and diplomatic benefactor, the U.S. government. In another dispatch to the department later in the month, Des Portes reported that the Guatemalan government was hesitant to renew TACA's operating contract because it feared that this might "annoy" the United States. He complained that the U.S. government's "silence" on the TACA/Pan Am fight only encouraged this perception and helped Pan Am in its campaign against a competing service "which would almost certainly be in the public interest."¹³⁷ In effect, Des Portes was calling upon the department to act on TACA's behalf.

The responses to the April dispatch confirmed the department's worst fears about what was going to happen: a bitter commercial skirmish. By most accounts, Pan Am was the aggressor. It employed its considerable economic and political clout in Central America to hamper TACA's operations. It even resorted to a campaign of "dirty tricks." For the department, the timing could hardly have been worse. The international situation in mid-1940 presented the United States with grave concerns. France had fallen, and Britain's future was in doubt. At this moment in history, U.S. officials believed, the United States needed to unify the hemisphere against Nazi aggression. Yet its chosen instrument was engaged in a rather sordid campaign that would undermine U.S. prestige and influence at a time when the nation could least afford it. Moreover, if Britain fell,

¹³⁷ Des Portes to Hull, 10 May 1940, 813.796 TACA/2; Des Portes to Hull, 31 May 1940, 813.796

U.S. officials worried that Yerex, as a British citizen, might face some pressure to cooperate with the Germans. Pan Am would only increase the likelihood of this prospect if it continued in its campaign.¹³⁸ Thus, the international circumstances clearly did not favor Pan Am's offensive against TACA.

The timing was bad for another reason. Whatever the U.S. government's opinion of Pan Am's activities, it could ill-afford a squabble with the giant airline. At the time, Pan Am was performing a multitude of services to aid the U.S. campaign against the Axis. When U.S. officials urged their Latin American counterparts to shut down the German airlines operating in the hemisphere, Pan Am stood ready to provide the replacement services that the Latin American countries demanded. In late 1940 the airline began building air bases in the Caribbean and Latin America, ostensibly for commercial purposes. In reality, the U.S. government secretly funded this construction in order to provide facilities in the event of war. Without Pan Am, the U.S. government would never have gotten the bases built. Pan Am also built bases in the Pacific and in Africa, with the former serving as a picket line against the Japanese, and the latter as a supply route to British forces in the Middle East.¹³⁹ In essence, more than ever before, the U.S. government needed Pan Am.

The reports from Central America did not fall on deaf ears. One department official stated, "the situation...is rapidly getting out of hand, and I think that it is high time we do something about it before it blows up in our faces." Another official even suggested that the U.S. government inform the Guatemalans that it was not "unfriendly" to TACA. However, there was a problem. How could the department back a foreign airline against its valuable instrument? As innocent as he might be, Yerex was still "to all

TACA/6.

¹³⁸ Drew to Burke, 31 June 1940, 813.796 TACA/6.

¹³⁹ Bender, 227-57, 307-28.

appearances a loyal British subject,” as one report from Central America stated.¹⁴⁰ The Americans simply could not ignore these ties.

Yerex endeavored to overcome this objection by various means. When war broke out in 1939, he had contacted the U.S. State Department immediately and placed his airline at the disposal of the U.S. government in the event of an emergency, an act that merited the thanks of the department. In mid-1940, he took the further step of offering to have his pilots join the U.S. army reserve which, he asserted, would benefit from their experience and knowledge of Central America’s remote areas. He was also willing to allow U.S. military pilots to fly on TACA flights to gain this experience. He was so willing to please the United States that he even made changes within his airline. Specifically, he offered to dismiss Kennett, whose drug record made him odious in Washington. At some point in mid-1940, the U.S. government took up the offer, and Kennett found himself out of work. The obvious intent behind these moves was to please the Americans and get their assistance in dealing with Pan Am. U.S. officials were not unaware of this. They welcomed the dismissal of Kennett, but generally regarded the other offers with suspicion. These were, in the opinion of many officials, attempts to get in the good graces of the department in order to advance his commercial interests. As one official put it, Yerex was looking for a “shortcut” to American citizenship and U.S. support.¹⁴¹

The issue of Yerex’s citizenship remained the main concern of U.S. officials. Rumors abounded that Yerex wanted U.S. citizenship. Pate stated that Yerex had twice tried to become an American citizen but had been unable to reside in the United States for the necessary period in order to accomplish this. Another official in Central America claimed that Yerex was “keenly interested” in making this change. Yet doubts remained.

¹⁴⁰ Drew, Memo, no date, 813.796 TACA/5.5; Ellis O. Briggs (Division of American Republics) to Drew, 14 June 1940, 813.796 TACA/5.5; Albert Cousins (U.S. Charge de Affaires, Guatemala) to the U.S. State Department, 12 July 1940, 813.796 TACA/16.

As one may recall, one U.S. official questioned his desire, stating that if he was willing, he could have stayed in the United States for the necessary period. Furthermore, whatever his supposed desire, he was still a British subject. Again, the Americans could not ignore this, a fact which department officials made clear to Yerex in an August 1940 meeting. Yerex was visiting the State Department in order to convince U.S. officials to help him deal with Pan Am. They informed the New Zealander that while they were “not unfriendly” to TACA, they could not help him because he was not an American. Moreover, they added, the government’s relationship with Pan Am “had a bearing on our attitude.” They did state that if TACA were to “Americanize,” that is, if Yerex were to sell a majority holding in his company to U.S. interests, they might be able to assist in some way. Yet they cautioned that even if he did so, they might not be able to back him since the government might not support competing carriers. In essence, the department would not oppose TACA, but it could not oppose Pan Am.¹⁴² Of course, this neutrality was of little help to Yerex.

In mid-1940, Yerex faced a crucial decision: with whom would he ally? He was facing an intensified campaign from Pan Am and increasing pressure from the United States to “Americanize.” Yet Yerex preferred Britain as a sponsor. As his nephew states, “Yerex had one major weakness...he was a patriot. In fact he was so ardently British that he continually strove to align himself with British interests...” He had an ally in this endeavor, J.H. Leche, the British minister in Guatemala and the Consul-General for Guatemala, El Salvador, Honduras and Nicaragua. Leche arrived at his post in mid-1939, and by 1940 he was inundating the Foreign Office with reports about Yerex, TACA, and their activities in the region. The volume of Leche’s correspondence on this subject is

¹⁴¹ John D. Erwin (U.S. Embassy, Honduras) to Hull, 13 May 1940, 813.796 TACA/4; Erwin to Hull, 31 May 1940, 813.796 TACA/5; Guy W. Ray (Division of American Republics, U.S. State Department), memo, 26 December 1940, 817.796/86; Drew, memo, 29 July 1939, 815.796/157.

¹⁴² Pate, G-2 Report 4483, 17 November 1938, 2548-150/22; Erwin to Hull 31 May 1940, 813.796 TACA/5; Cousins to the U.S. State Department, 12 July 1940, 813.796 TACA/16; Duggan to Burke, Moore and Welles, 21 December 1939, 813.796 TACA/4-1/2; Department of State Memo of Conversation, 7 August 1940, 813.796 TACA/26.

staggering, and would eventually backfire with regard to TACA's cause. Yet Leche's relationship with Yerex was so close that the minister was privy to and involved in Yerex's schemes for the development of his entire air network. During the summer of 1940, the two men would lobby the British government to support Yerex in his quest to build an ever-larger network in the western hemisphere.

One of the first issues on which Leche joined Yerex's cause concerned the Panama Canal. In December 1939, Leche sent a letter to the British Minister in Panama, Charles Dodd, regarding Yerex, TACA, and the airline's usefulness to His Majesty's Government. He clearly was lobbying the minister to lend Yerex assistance in getting U.S. permission to fly over the Canal Zone. Dodd replied the following month that he had talked to U.S. officials, and that the Army commander in the Canal Zone did not oppose TACA's entry. Moreover, the naval commander was "not very pleased" with Panagra, particularly regarding the whole SCADTA affair. Still, the navy chief was not "sold" on Yerex, as he had doubts about his character. He had told Dodd that there were "heaps of people like Yerex" in Central America, who might or might not be bad, but were living there for "some reason." He rejected Pan Am's charges about TACA's safety, but he did have doubts about how TACA made its money (clearly implying he had suspicions about smuggling) and about some of its people. Dodd asked Leche to provide any rebuttals to the rumors so that he might have them on hand when he next met with U.S. canal authorities. In commenting on the exchange between Leche and Dodd, one Foreign Office official noted that Yerex might not be "an honourable gentleman." Furthermore, it was clear that Leche was a "personal friend" of Yerex and thus might not be a reliable source regarding the latter's "antecedents."¹⁴³

¹⁴³ Charles Dodd (H.M. Minister, Panama) to Leche, 11 January 1940, A870/341/51, F.O. 371/24206; Dodd to American Department, Foreign Office, 8 January 1940, A871/341/51, F.O. 371/24206; Dodd to Leche, 8 January 1940, A871/341/51, F.O. 371/24206; Dodd, "Record of a Conversation Held Between His Majesty's Minister at Panama and Rear Admiral Sadler," 22 December 1939, A871/341/51, F.O. 371/24206; minute by E.E. Jenkins (H.M. Foreign Office), 14 February 1940, A871/341/51, F.O. 371/24206.

Already, two things were clear. One, doubts existed about Yerex's character. It is interesting to note that the word that the official chose was "gentleman". Later correspondence would suggest that this entailed more than simply whether he was law-abiding or not. Second, Leche's advocacy of Yerex had already reached the point of creating doubts about the former's reliability. As the months and years wore one, Leche's tireless, voluminous, and unabashed support for Yerex would undermine his and his friend's credibility in Whitehall.

Whether reliable or not, Leche soon offered a report on Yerex and his "antecedents." The report was rich both in the facts it related and how it presented them. Leche opened his report by stating that despite the war, and perhaps because of it, "this remarkable enterprise merits all the encouragement and support His Majesty's Government can give." He declared that while it was already powerful, he believed it was only the "germ" of something bigger, something of "immense value, strategically, politically, and economically, to Great Britain and the West Indian colonies." The advantages of a British-held airline in the Caribbean region were "obvious." Leche noted that TACA's experience demonstrated that it could render services in the region more "satisfactorily" than any other service and more "economically" than a state-owned airline.

Leche began his history of Yerex and TACA by mentioning that it "read so much like a romance." He emphasized that Yerex came from a "well-to-do" family in New Zealand and had married into a Honduran family of "pure" Spanish descent. Of course, his service to king and country was worthy of mention. Furthermore, his service in Honduras was worthy as well. Leche stressed that Yerex's actions in the 1932 revolution were necessary to defend his "livelihood," had come at the behest of both the outgoing and incoming Honduran governments, had produced "only" 3 or 4 deaths, and had prevented the war from dragging on and costing many more lives. Since that time, TACA had become a large, prosperous and stable concern, being the largest air freight business

in the world. In the process it had served to “open up” Central America to the outside world. This had been accomplished by a man of “vision, unbounded energy, and an infinite capacity for taking pains” who had an ability to pick “good men” and win their loyalty “despite being a strict disciplinarian.”

The “secret” to his success was threefold. First, TACA had a good ground organization, with sound technical staffs and ground facilities. Second, it had good pilots, with much experience and a good safety record. Third, it had a commitment to efficiency, which included “the principle that the machine must always travel full up to its safe capacity but no further.” In addition to these secrets, Yerex possessed other good qualities. He had the good sense to buy “sound secondhand aeroplanes at a reasonable price,” thereby making his operations safe yet economical. He did not spend his profits on himself, but used them for further expansion while living on a modest salary of \$600 per month. He was, stated Leche, a “practical pilot” yet also a “visionary” who had a passion for aviation and who wanted to build his company into a “great network of British Lines in Latin America and the West Indies.” Of course, he faced stiff opposition from Pan Am and the United States. He did not want to sell to Pan Am unless “forced,” and had resisted pressures to take American citizenship or incorporate in the United States. In fact, he was talking with some Canadian interests about incorporating in Canada. Leche acknowledged that some might question his affinity for the British by pointing out that TACA used American planes and pilots. The minister defended his friend by stating that he did so for matters of economy, and that he did expect at some future time to be able to use British machines and personnel.¹⁴⁴

How Leche presented Yerex was telling. Clearly he was trying to respond to concerns about Yerex’s character by portraying him as a respectable and responsible businessman. He was not someone who associated with bad elements, but instead came from a good family and married into a good family. His actions in the revolution were not

¹⁴⁴ Leche to Halifax, 15 March 1940, A2189/341/51, F.O. 371/24207.

those of a devil-may-care mercenary, but of a concerned businessman who had done what was necessary to protect his interests and put a quick and humane end to the conflict. His company was not a fly-by-night bush operation, but a well-established concern. Yerex was not consumed by a desire to make money, but pursued his endeavor out of passion for the job. In all, he was the model British subject.

On the same day Leche sent this dispatch to Whitehall, he sent a reply to Dodd's letter. In response to Dodd's requests for ways to defend Yerex's character, Leche attacked Pan Am for its "campaign" against TACA. He asserted that Pan Am had not bothered with TACA until the latter started expanding, at which time the American giant began employing various "tactics" to undermine the competition. In the beginning, it had spread rumors about the safety of TACA's planes, but these had not stood up to scrutiny. So then it had graduated to more "doubtful methods," one of which included trying to finance the Macaya brothers to undercut TACA. He admitted that Kennett had smuggled drugs, but emphasized that he had done so only once and only because he needed the money. He had been "straight" ever since. In fact, the U.S. judge that sentenced him was reportedly pleased that Kennett had a job. Yerex, for his part, had "been prevailed upon" to give the man a chance, and had reaped the rewards of Kennett's good service. Leche stated that he personally would "without hesitation exonerate Yerex," having spent much time with him. He noted that he came from a good family, one not likely "to produce a black sheep." Moreover, his mother lived with him in Central America, making it all the more unlikely he was engaged in such nefarious activities. Yerex was "adventurous" but "not an adventurer." He found it "impossible" that Yerex was not an "honourable gentleman", and urged Dodd to give him all possible support.¹⁴⁵

Throughout the first half of 1940, Leche bombarded Whitehall with dispatches about TACA and Yerex. He addressed various issues, but two were predominant. One was the usefulness of TACA's services to the British war effort. Amongst his ideas

¹⁴⁵ Leche to Dodd, 15 March 1940, A2190/341/51, F.O. 371/24207.

regarding this issue was a proposal that TACA expand its services into the Caribbean. This, Leche asserted, could not only link the various British colonies in the region, but also could serve as a means of scouting enemy submarines for the Royal Navy. Leche contacted various British officials in the region about the possibilities for expansion. Ministers in Cuba and the Dominican Republic gave unfavorable replies, indicating that this would meet stiff opposition from Pan Am. As for the colonies, Leche acknowledged that the responses had been “disappointing” in their lack of encouragement.¹⁴⁶ However, he would continue to promote the idea of expansion.

Leche’s other favorite subject was TACA’s struggle with Pan Am. He detailed Pan Am’s “dirty tricks,” including the Macaya scheme. Through all of the tricks and tactics, he portrayed Yerex as stolid. For example, when Pan Am cut its international rates to more closely match those of TACA, Leche reported that Yerex was “unmoved” by the action, noting that he was “unperturbed by the threats of Pan American Airways.” He pointed out that Pan Am would simply not be able to match TACA’s efficient service. On the other hand, in response to a suggestion by the British minister in Cuba that Yerex needed to reach some accommodation with Pan Am in order to avoid further trouble, Leche stated that Yerex had indeed tried to deal with Pan Am, but that the latter had rebuffed him.¹⁴⁷

However, while trying to portray Yerex as reasonable, Leche also emphasized that accommodation might not be necessary nor best for British interests. On the one hand, he asserted that there were signs that the U.S. government was becoming disenchanted with Pan Am. In April, he reported that TACA officials had found U.S. officials manifesting “a decided hostility toward Pan American Airways” and a friendlier attitude toward them. In fact, he claimed, U.S. officials had “hinted” to TACA that they might bless its takeover

¹⁴⁶ Sir G. Olgilvie-Forbes (H.M. Minister, Havana) to Halifax, 28 March 1940, A2879/341/51, F.O. 371/24207; A.S. Paterson (H.M. Legation, Ciudad Trujillo) to Leche, 21 May 1940, A3110/341/51, F.O. 371/24207; Leche to J.M.D. Scott (H.M. Foreign Office), 11 June 1940, A3110/341/51, F.O. 371/24207.

¹⁴⁷ Leche to Halifax, 16 April 1940, A3090/341/51, F.O. 371/24207; Leche to Halifax, 25 April 1940, A3110/341/51, F.O. 371/24207.

of German airlines in the region. In essence, Leche was arguing that the Americans might take TACA “as is,” so strong was their admiration for the airline and their disgust with their own. Yet on the other hand, accommodation with the Americans could pose a threat to British interests. He reported that American interests had approached Yerex on two different occasions in early 1940 to purchase an interest in TACA. The problem with the offers were that they would wrest control away from British interests either by forcing Yerex to sell a majority interest in TACA or to take on U.S. citizenship. In fact, Leche contradicted himself by stating that the U.S. State Department expected Yerex to sell 75% of TACA before they would consider it “American” and worthy of support. Leche stated that Yerex had no desire to do this or take on American citizenship, as he was a British subject and “had never forgotten the fact.” Thus, Leche argued, the best course of action from both the perspective of British interests and Yerex was that the British government become “directly interested” in the company.¹⁴⁸

This last statement was of particular interest to Whitehall, for it suggested a new thrust to Leche’s advocacy. To this point he had pressed for support for Yerex’s operations in the form of diplomatic assistance or recognition. Now he seemed to suggest that the British might have to take a more direct, even financial, interest in the company. In May 1940, Yerex made a direct proposal to BOAC chief Clive Pearson. He began by stating that he had “the best interests of the Empire” in mind as he administered his enterprises, and that TACA could help BOAC in promoting these interests. He then presented a summary of his airline, including the scope of its operations, the size of its staff, and its financial statistics. Yerex noted that financing for its growth had come from profits rather than from loans or sale of stock, and, as a result, the company had no debt and he held 87% of the shares in the company. He claimed, “it is no exaggeration to say that TACA has become indispensable to the life of Central America.” Yet he realized he could not fund further expansion with profits, and he did not want a loan. Thus, he had

¹⁴⁸ Leche to Halifax, 4 April 1940, A2542/341/51, F.O. 371/24207; Leche to Halifax, 4 April 1940,

decided to issue \$1 million in stock. He mentioned that there was plenty of capital in the United States, but that he wanted the company to remain British. He was writing to inquire if BOAC might be interested in purchasing this stock. Moreover, he wanted to bring to his attention that there was a growing British company in Central America that wished to cooperate with British aviation interests. He requested any advice or assistance “with a view to promoting my company’s interests, which I sincerely believe to coincide with those of the Empire.”¹⁴⁹

The British now faced a momentous decision. During the first few months of 1940, the Foreign Office did not bother to distribute these reports to the other ministries. These months constituted a period of rediscovery for the office, as the comments in its minutes suggest that none of the officials were aware of TACA and its services. Foreign Office officials were clearly impressed by the enterprise, with more than one using the term “remarkable” in describing Yerex’s success. Every Foreign Office official realized that his operations were of great potential value to the British. One echoed Leche in stating that TACA would benefit British interests in the region in manifold ways. It would increase British prestige in the Central American region, help in the development of the Caribbean colonies, and assist in the war effort, not only for scouting, but also “for more active purposes.” In general, British officials were intrigued by the idea of ties to Yerex’s operations.¹⁵⁰

Still, Foreign Office officials had several concerns. First, they had received Dodd’s report about U.S. objections to Yerex. Interestingly enough, they paid special attention to U.S. doubts about his character. Upon reading the report, one official noted that there was some doubt as to whether Yerex was “an honourable gentleman.” Another official commented that the doubts probably stemmed from Pan Am propaganda, but stated that a report from Leche on the matter would be necessary. This, of course,

A3110/341/51, F.O. 371/24207.

¹⁴⁹ Lowell Yerex to Clive Pearson (Chairman, British Overseas Airways Corporation), 10 May 1940, A3764/341/51, F.O. 371/24207.

prompted Leche to provide his April dispatch in which he defended Yerex's character by refuting the charges and emphasizing the "respectable" personal relationships in the New Zealander's life. There are two interesting things to note about Whitehall's response to the dispatch. First, Leche's statements to the effect that families such as that of Yerex did not produce bad character led one official to comment that even "the best families...produce black sheep." The official also noted that the fact that Yerex's mother lived with him meant little, as "it is the prodigal son's love the mother loves best." In essence, there remained doubts about Yerex's character that were at the forefront of British official thinking. It is significant that these doubts stem not from specific charges against Yerex, but from uncertainties about his personal character. In essence, he was not a member of the British aviation establishment, and thus was suspect. Second, only after they had received this dispatch did Foreign Office officials feel secure enough to inform the other ministries about TACA.¹⁵¹

Yet these were not the only concerns. Foreign Office officials also noticed that the airline, while owned by a British subject, used American planes and pilots. This caused some doubt as to whether the company was truly "British." Moreover, British officials were under no illusions regarding the American perspective on the issue of TACA. As one put it, U.S. officials would "no doubt consider that we are poaching on their preserves" if the British were to acquire an interest in TACA. Another noted that the competition from the Americans would be "much too hot." Another, while lauding TACA's remarkable success, stated succinctly that it "can hardly be expected in the long run to be able to resist Pan American Airways." In general, they dismissed any claims that the U.S. government would do anything to undermine Pan Am--that was simply unthinkable. Yet at this early stage, there still was hope that the British might proceed anyway. Various officials urged that some form of support be given, with one stating that

¹⁵⁰ minute by Jenkins, 3 April 1940, A2190/341/51, F.O. 371/24207.

the government should not allow the likely U.S. response to “deprive” Britain of this valuable instrument.¹⁵²

At this juncture, the Foreign Office took the initiative by passing along its reports to various ministries that might be interested in the enterprise. Among these were the Colonial Office, the Dominions Office, and the Admiralty. Yet the most important recipient was the Air Ministry, which oversaw British commercial aviation operations. Officials at the ministry were as impressed as their Foreign Office counterparts. One said TACA’s history “reads like a romance of the pioneer days of the last century.” The responsibility for a response fell to the ministry, and more specifically to Pearson. Yet neither was in a hurry to act. Pearson eventually went to the Foreign Office to examine its records on TACA, while ministry officials pondered what to do. They never really considered the possibility of investing in the Central American operations, citing monetary restrictions as an insurmountable problem. Yet they took an immediate interest in the possibility of cooperating with Yerex in a West Indian service. Imperial had considered initiating such a service before the war, but lacked the resources. Now Air Ministry officials saw an opportunity to fulfill this aim. Moreover, because it was a colonial service, they hoped they could tap Colonial Office funds to finance it. They immediately contacted the Colonial Office about this possibility. Despite its interest, however, the Air Ministry had its concerns about Yerex. One was his evident ambition. As one official put it, he would “not stop at occasional flights by a single amphibian.” He would want to build a large and profitable network in the region, which meant “we may therefore to some extent be deciding the whole question of British air transport in the West Indies by encouraging T.A.C.A. to open up this service.” While the official went on

¹⁵¹ minute by Jenkins, 14 February 1940, A871/341/51, F.O. 371/ 24207; minute by J. Balfour (H.M. Foreign Office), 14 February 1940, A871/341/51, F.O. 371/24207; Leche to Dodd, 15 March 1940, A2190/341/51, F.O. 371/24207; minute by J. Balfour, 4 April 1940, A2190/341/51, F.O. 371/24207.

¹⁵² minute by J. Balfour, 4 April 1940, A2190/341/51, F.O. 371/24207; minute by J.V. Perowne (H.M. Foreign Office), 2 February 1940, A604/341/51, F.O. 371/24206; minute by Jenkins, 3 April 1940, A2190/341/51, F.O. 371/24207; minute by R.A. Gallop (H.M. Foreign Office), 5 April 1940, A2190/341/51, F.O. 371/24207.

to state that he thought it “entirely right” to have Yerex operate in the West Indies, he clearly was concerned about the extent of the New Zealander’s ambitions. Second, Yerex’s American ties also bothered officials. One warned that Yerex might have to sell TACA to the Americans, which could place his operations in the West Indies under American domination. The official urged that the British impose some “obligation” upon Yerex to insure that this would not happen.¹⁵³

Meanwhile, Pearson composed a reply to Yerex. Dated 27 July, his letter thanked Yerex for his letter and stated that the purpose of his response “is to explore whether we can discover a basis of cooperation satisfactory to each party and suitable to the circumstances ruling.” He noted that BOAC would like to link a future service between Europe and Latin America with a service in the Caribbean, perhaps one operated by TACA. However, BOAC policy was to focus on trunk routes while leaving “local” services to local nationals. Thus, BOAC could not invest in TACA. It might be willing to participate in a “joint venture” in the British West Indies, though this would depend upon the financial support of the Colonial Office and the Post Office. Also, BOAC’s planned service to South America was delayed by the war, and thus it could not “partner” with him at this juncture. Pearson stated that there might be other British investors that would be interested, but that he doubted this since many had been “burned” by the amalgamation of Imperial and British Airways, and because of the need to “conserve” such resources in light of the war.¹⁵⁴ Pearson was polite and clearly intended to hold out some hope for Yerex with regard to the West Indies. Yet he also clearly discouraged any substantive help with his present operations.

This was certainly not the response that Yerex wanted. He fired off an immediate reply, stating that he was afraid that he had not presented his case as clearly as he would have liked in his first letter. He acknowledged that TACA was a local service, but implied

¹⁵³ minute by Burkett (D.O.C.A., Air Ministry) to D.G.C.A., 6 May 1940, AVIA 2/2312 (Part I, 1939-40), AM; minute by P.U.S. to Under-Secretary of State for Air, 2 July 1940, AVIA 2/2312 (Part I, 1939-40), AM; minute by H.H. Balfour (Air Ministry) to P.U.S., 3 July 1940, AVIA 2/2312 (Part I, 1939-40), AM.

that this was because of circumstances in Central America rather than his choice. Moreover, it now had an international service, and, more importantly, opportunities to expand this network. He pointed out that many European airlines in Latin America were ceasing operations because of the war, and that their equipment could be had for a comparatively small price. With such equipment, he could establish trunk services between such key cities as Rio de Janeiro, Buenos Aires and Santiago. He noted that TACA had the planes for such a service (the Lockheeds), and would only need a small investment to purchase the old European lines. These he could later link with BOAC's service to Latin America and with services in the British West Indies. Yet the time for action, Yerex warned, was now. The combination of BOAC's capital and TACA's "know-how," he concluded, would produce a network that "could not but be mutually beneficial and attractive."¹⁵⁵ Instead of giving Yerex a narrow focus and a glimmer of hope, Pearson's letter had elicited a grand vision and an urgent proposition.

Pearson's letter not only fell short of Yerex's expectations, but those of some members of the Foreign Office as well. One complained that Pearson's points "strike me as excuses rather than as valid reasons for doing nothing." In general, the Foreign Office was displeased with the Air Ministry for not calling an interdepartmental meeting, which the former believed was vitally necessary yet which it felt it was a matter on which the latter should take the initiative. Moreover, the Foreign Office was less cautious than the Air Ministry, with various members arguing throughout the summer that supporting Yerex was a viable option. By August, different officials were urging action. As one stated, "I think we are in danger of missing a valuable bus here."¹⁵⁶

Yet the British perspective on the matter of TACA was already undergoing change. The fall of France in mid-1940 left the empire alone in the struggle against the Axis powers. The first invasion of Britain in almost a millennium seemed imminent, and

¹⁵⁴ Pearson to Yerex, 27 June 1940, A3764/341/51, F.O. 371/24207.

¹⁵⁵ Yerex to Pearson, 26 July 1940, A3764/341/51, F.O. 371/24207.

¹⁵⁶ minute by Gallop, 19 August 1940, A3764/341/51, F.O. 371/24207.

doubts abounded on both sides of the Atlantic about whether Britain could hold out. At this juncture in the war, the British had to avoid any conflict with the United States. The latter was simply too important as an “arsenal for democracy” and as a potential future ally. From this time forward, the British would have to subject their commercial interests to their strategic interest of winning the war. No longer could they openly compete with the Americans in commercial aviation.

As the summer wore on, Foreign Office officials became increasingly concerned about the sensibilities of the Americans as they pertained to Yerex. Even R.A. Gallop, one of the more ardent supporters of Yerex in the Foreign Office, acknowledged in late July that the British could not support him “on the continent” because this would offend Pan Am and its benefactor, the U.S. government. He dismissed Leche’s claims that there was conflict between Pan Am and the U.S. government and that the Americans might accept British support of Yerex. His colleague, J. Balfour, presented a lengthy memo a few days later echoing these views. Balfour believed that the Pan Am/U.S. government relationship had actually become stronger because of the war, pointing out that the latter had “augmented” its support for the former in strengthening its defenses in the Caribbean. If the two airlines became embroiled in a contest, the British could not hope to match the American resources. Thus, it made no sense to support Yerex in a contest on the mainland, though a service in the West Indies would be useful. Following this line of reasoning, the Foreign Office sent Leche a dispatch notifying him that because of the importance of avoiding a clash with the United States, the British could not support Yerex’s Central American services.¹⁵⁷

Leche sent an immediate reply. He acknowledged that it would be imprudent to upset the United States, but with regard to airlines in Latin America, he pointed out that the “Germans have been...operating and why not we as well?” He insisted that the State Department “would like to get at Pan American Airways.” In an earlier note to the office,

he reported that the U.S. minister in Guatemala (Des Portes) was very much disgusted with Pan Am and its tactics.¹⁵⁸ Clearly, Leche believed that the U.S. government would not and, in the spirit of fair play, could not oppose TACA.

Leche's fervor for TACA was made manifest in both word and deed. He continued to inundate the Foreign Office with reports about TACA, and he continued making offers on Yerex's behalf. For example, in order to curry favor in Whitehall, Leche reported that Yerex was considering registering his company and aircraft in British territory, and in moving his headquarters to British Honduras. It is likely that Yerex had these ideas in mind, but it is unclear whether Leche consulted him before making specific offers to Whitehall. Leche's passion was such that it led, according to David Yerex, "to exaggeration and inaccuracy." It also led to much activity. During the summer, Leche contacted various British officials in Latin America about the possibility of Yerex starting a "British" air service in their areas.¹⁵⁹

The response was overwhelmingly positive. Sir E. Ovey, the British ambassador in Buenos Aires, was particularly vociferous in his support for Leche's proposals. He declared that Yerex could compete with the German lines in Argentina while providing badly needed air services. In light of this, he argued, the Americans would have no ground for objection. In fact, this could be a *quid pro quo* for permitting American bases in the British West Indies. Yerex clearly impressed Ovey, who noted that the New Zealander appeared to have the "particular advantage of getting on well with local governments and officials and thus privately affecting an entrance into these zones by means of local air companies under his personal and therefore British control." Ovey followed this with a dispatch in September in which he urged that the British approach the Americans "frankly" with an offer of "cooperation" under which, one, Yerex could

¹⁵⁷ minute by Gallop, 25 July 1940, A3587/341/51, F.O. 371/24207; minute by J. Balfour, 27 July 1940, A3587/341/51, F.O. 371/24207; Foreign Office to Leche, 29 July 1940, A3587/341/51, F.O. 371/24207.

¹⁵⁸ Leche to Anthony Eden (H.M. Foreign Secretary), 30 July 1940, A3587/341/51, F.O. 371/24207; Leche to Halifax, 11 June 1940, A3110/341/51, F.O. 371/24207.

drive local German lines out of business and, two, the British could cooperate with the Americans in building aerodromes on the east coast of Latin America. The British could thus maintain a competitive airline in the region, while aiding the war effort. Leche heartily agreed with this idea. He emphasized that Yerex was more than willing to cooperate with the Americans, and in fact had tried to do so in the past, only to be undermined by Pan Am. He also believed that the British West Indies could be used as a part of a *quid pro quo* with the United States. He stressed the need to take advantage of this, as Yerex represented the only chance to maintain a competitive British airline in the hemisphere.¹⁶⁰

The Foreign Office was now receiving a flood of correspondence and advice on an enterprise that it had not initiated nor controlled. Officials in Whitehall resented this lack of consultation. One official grumbled that Ovey had “strayed somewhat outside his province” in his suggestions as to how to approach the Americans. The Foreign Office, in an effort to reassert some control over the situation, instructed its officials to take no official actions with regard to TACA.¹⁶¹

This was not the only cause for frustration in the Foreign Office, for it was losing control of the situation in Whitehall as well. The Air Ministry had talked with the Colonial Office, which responded enthusiastically to the idea of a West Indian air service. It instructed the British governor in Trinidad to encourage Yerex in this venture. One Foreign Office official complained that it was “rather tiresome” of the Colonial Office to “rush off with a letter to the Governor of Trinidad about the Yerex proposals without consulting us.” His Majesty’s Government needed to consider many things before approaching Yerex. Yet the same official noted that the British government was in danger

¹⁵⁹ Yerex, 99; Leche to Eden, 27 July 1940, A3587/341/51, F.O. 371/24207; Leche to E. Millington-Drake (H.M. Minister, Montevideo), 9 August 1940, A3764/341/51, F.O. 371/24207.

¹⁶⁰ Millington-Drake to Eden, 31 July 1940, A3764/341/51, F.O. 371/24207; Sir E. Ovey (H.M. Minister, Buenos Aires) to Eden, 23 August 1940, A3764/341/51, F.O. 371/24207; Ovey to Eden, 4 September 1940, W10213/10016/27, F.O. 371/25043; Leche to Eden, 5 September 1940, W10248/10016/27, F.O. 371/25043.

of “falling between two stools.” While the Colonial Office was moving too fast, the Air Ministry was moving too slow, and Yerex was becoming “restive” waiting upon the British government’s response to his proposals. One Foreign Office official complained that the ministry was not even responding to inquiries on the matter.¹⁶² The Foreign Office wanted everyone on the same page of the playbook before anybody took action, but realized the need to do this quickly. At the moment, the British bureaucracy was not complying.

Finally, in early September, the Air Ministry called an interdepartmental meeting. By this time, much had changed since the Foreign Office had first urged such a conference. In the Foreign Office, the general attitude was much more cautious regarding TACA. As early as July, Gallop suggested that the Foreign Office should encourage the Air Ministry and the Colonial Office “to lend Mr. Yerex such support as they can,” but insist “that the greatest care must be taken in the present circumstances to avoid anything likely to offend American susceptibilities.” H.L. Farquhar agreed, noting that “however much sympathy Mr. Yerex and TACA deserve, our interests lie for the time being in playing ball with big business-as represented by P.A.A.”¹⁶³

This caution did not lead to a well-formulated, clear-cut policy. Frankly, the Foreign Office was endeavoring to avoid a formal commitment to any course of action because it was unsure of how to handle the situation. This is nowhere more evident than in a minute by J.V. Perowne dated two days before the meeting. Perowne stated that TACA faced a “crisis” and was in “urgent need of money,” a statement not supported by any British reports. He suspected that Yerex “is much pressed for money and does not mind where he gets it from so long as he personally is able to remain the effective head of

¹⁶¹ minute by Perowne, 10 September 1940, W10213/10016/27, F.O. 371/25043; Foreign Office to Ovey, 24 September 1940, W10348/10016/27, F.O. 371/25044.

¹⁶² minute by S. Labouchere (H.M. Foreign Office), 12 August 1940, A3587/341/51, F.O. 371/24207; minute by Labouchere, 1 September 1940, A3850/341/51, F.O. 371/24207; minute by Gallop, 19 August 1940, A3764/341/51, F.O. 371/24207.

¹⁶³ minute by Gallop, 23 July 1940, A3110/341/51, F.O. 371/24207; minute by H.L. Farquhar (H.M. Foreign Office), 21 August 1940, A3110/341/51, F.O. 371/24207.

the enterprises he has built.” He also had his doubts that Yerex would be able to expand in the West Indies or elsewhere. He commented that this region was the “province” of Pan Am and that this airline was “the beloved child” of the U.S. government, no matter what Leche claimed. As for the British, he argued, there were simply no resources to spare. It was doubtful that either BOAC or any financial interests had the money that Yerex needed. Perhaps the Colonial Office could provide some funds, but only for a West Indian operation. Otherwise, there was “no question at all” of H.M.G. support for Yerex. Yet having said this, he then seemed to perform an about-face. He noted a recent statement by U.S. Secretary of the Treasury Henry Morgenthau that the British and Americans should abandon their commercial rivalry in Latin America. He also referred to Ovey’s claims that Pan Am could not handle all of the traffic in the region, as well as his suggestion that TACA could be of use in driving out the German airlines. These points might be of some use in defending British assistance to TACA. He concluded, “In short, I do not think we need allow considerations of American susceptibilities to deter us from helping Mr. Yerex to get the assistance he needs.”¹⁶⁴

It is evident that the Foreign Office response to Yerex was rather confused. On the one hand, they did not trust him fully, and they doubted his ability to do what Leche said he would. Furthermore, they viewed the British lack of resources and American sensibilities as a problem. In essence, they seemed to think that nothing could be done for Yerex, even in the British West Indies. Yet then, in the same breath, they would talk of perhaps supporting him throughout the region. Quite simply, the Foreign Office was not prepared to make a firm commitment to any course of action. It would fall upon others to take the initiative

In this case, the “others” would be the officials at the Air Ministry. Yet they too lacked a clear sense of direction. On the one hand, they shared the Foreign Office’s concern over the lack of financial resources to back the New Zealander. Yet surprisingly,

¹⁶⁴ minute by Perowne, 7 September 1940, W10274/10016/27, F.O. 371/25043.

they did not mention U.S. susceptibilities at all, and in fact finances were not their primary concern. Rather, the biggest problem was the issue of control. When Yerex submitted his proposals for cooperation to the British, he offered to sell BOAC a bloc of non-voting shares in TACA. Officially, the Air Ministry would claim that the problem with supporting Yerex in Central America was that it conflicted with BOAC policy regarding participation in aviation enterprises in the region. Yet in reality it seems that Britain's chosen instrument was averse to any such participation because of the fact that Yerex was offering it no control in the airline. As one Air Ministry draft memo stated, the offer of non-voting shares "was not considered sufficiently attractive for the matter to be pursued."¹⁶⁵

The matter of control involved more than simply having voting shares, however. The Air Ministry claimed that TACA would have to be reorganized in order to give BOAC "effective participation" in the company. It cited BOAC's legal charter as the reason. If BOAC were to finance TACA, it would require that TACA switch to British planes, British registry, and British incorporation. Yerex, the Air Ministry was certain, would not be willing to go along with this. This last point was probably valid. However, it is interesting to note that as the Air Ministry was making this case, Pearson was suggesting that many of these conditions were not imperative in any financial arrangement. In fact, while acknowledging that BOAC ultimately would have to have control, he urged that Yerex be given as much freedom as possible to conduct the enterprise in his own way.¹⁶⁶ Yet the Air Ministry would not follow this suggestion. While one can appreciate legal constraints, it would seem that these were not so binding as the ministry suggested. In light of this, one wonders why the ministry wanted to tamper with a successful operation. Perhaps the answer lies in Gallienne's dispatch of 1935 in which he expounded upon what one expected an airline to be and how TACA did not

¹⁶⁵ minute by DGCA to PUS, 4 July 1940, AVIA 2/2312, AM; minute by DCAF to DOCA, 31 July 1940, AVIA 2/2312, AM.

meet these expectations. Perhaps Air Ministry officials could not conceive of supporting an airline without making sure that those who ran it did so along “British” lines.

Much like the Foreign Office, while the Air Ministry saw difficulties in cooperating with Yerex, it too wanted to pursue the possibilities. In calling the interdepartmental meeting, it clearly indicated that it had some interest in helping Yerex. Furthermore, Pearson, who had evidenced much restraint toward Yerex in mid-summer, began pressing for some action to support the New Zealander. In a late August memo, Pearson acknowledged that finances were a problem, and that the British government would require some measure of control over the enterprise. Yet he proceeded to minimize these difficulties. He argued that British interests in the region would benefit greatly from “a system of first class air communications owned and operated by a British concern.” While the British government would need control, this did not need to be immediate, but rather “ultimate”. In essence, since Yerex appeared to be an “ardent Britisher,” leaving financial and political control in his hands for the time being was not a problem. Moreover, it would not be necessary for him to switch to British equipment and personnel at the moment. Rather, it was necessary to develop good communications under British auspices, using whatever resources. Thus, Pearson recommended that the British government give Yerex the following: permission to operate in the British West Indies and South America, mail contracts from the British colonies in the region, and a financial investment either through BOAC or a banking firm. He proposed that the only conditions be a switch to British registration of the aircraft and the company, with a provision for “ultimate control” by the British government through BOAC. He urged that the British “grant as great a freedom as possible to Mr. Yerex to continue subject to the foregoing to

¹⁶⁶ A.W. Street (Air Ministry) to Under-Secretary of State, Foreign Office, 25 August 1940, A3850/341/51, F.O. 371/24207; Pearson to Street, 30 August 1940, W10016/10016/27, F.O. 371/25043.

conduct the business in his own efficient way and thus give the organization the full opportunity to achieve the best results.”¹⁶⁷

The long-awaited meeting took place on September 9. Representatives from the Air Ministry, BOAC (Pearson), the Foreign Office, the Colonial Office, the Dominions Office, the Treasury, the Ministry of Information, and the Board of Trade attended. All expressed some support for cooperation with Yerex. Yet there were cautions. The Treasury emphasized the lack of American dollars necessary to finance Yerex, while the Dominions Office reported that there seemed to be little chance of financial support in Canada. The Foreign Office urged that the British avoid troubles with the United States. This contravened Perowne’s statement just days earlier to the opposite effect, which is surprising considering that Perowne was the Foreign Office’s chief representative at the meeting. Pearson himself seemed to contradict his earlier viewpoint by emphasizing that Yerex might not be “a completely reasonable and satisfactory partner.” He did note that as long as the New Zealander did not demand money up front for any shares, the initial costs of cooperation would be low. Eventually, however, the British would have to pay, and in U.S. dollars. In general, many of the major players were careful to sound cautionary notes. Yet the decisions reached at the meeting were surprisingly aggressive. BOAC was to approach Yerex about the possibility of participating in a joint venture in the British West Indies. It also was to discuss the possibility of cooperating in other “major developments” in TACA’s operation. It was to dispatch a representative to meet Yerex in New York.¹⁶⁸ This promised to be a golden opportunity for Yerex and the British to reach some form of agreement.

It was not to be. Within hours of the meeting word came from the Air Ministry that BOAC would be unable to send a representative to New York. The ministry gave no

¹⁶⁷ minute by Perowne, 7 September 1940, W10274/10016/27, F.O. 371/25043; Pearson to Street, 30 August 1940, W10016/10016/27, F.O. 371/25043.

¹⁶⁸ “Note of a Meeting Held at the Air Ministry, King Charles Street, S.W. 1 at 4 P.M. on Monday, 9th September, 1940, to Consider What Assistance Could be Given to Mr. Lowell Yerex in Expanding the

reason for this. It simply stated that Pearson would communicate with Yerex via telegram. This was a bitter disappointment for officials in the Foreign Office, one of who (Perowne) had hailed the outcome of the meeting as evidence of a clear change in attitude in the Air Ministry regarding Yerex. Now, it seemed, the ministry might once again be turning its back on a bona fide opportunity. One official worried that BOAC's proposals might "look rather forbidding in a telegram." He was so concerned about this that he even suggested that the office "hint" to Yerex that a visit to London for talks might be a good idea. Nothing came of this, and Pearson dispatched a telegram to Yerex via Leche. In it, he stated that there was "favourable background" for negotiations between TACA and BOAC. However, there were problems with arranging a face-to-face meeting and with coming up with the necessary finances. He recommended that Yerex submit proposals to the governors in the West Indies, while he and his colleagues would coordinate with the Colonial Office and urge "favorable consideration." He also requested proposals for extensions of TACA's services to the south or southeast. He even suggested that BOAC would cooperate in such a venture by financing "out-of-pocket" costs, while TACA took care of overhead costs.¹⁶⁹

It is doubtful that this message could have encouraged Yerex very much. It made no firm commitments, financial or otherwise, and left him with only a faint hope. At the moment, such would not do. As he waited throughout the summer for the British to make a decision, Yerex faced increasing pressure on two fronts in the Americas. The first was in Guatemala, where Pan Am's campaign against TACA was bearing fruit. In September 1940, both the U.S. and British representatives in Guatemala reported that an American, Alfred Denby, was founding an airline to compete with TACA. According to both sources, Denby was a rather unsavory character. Later accounts would state that he was a

Activities of T.A.C.A. Air Lines in South America and West Indies," 9 September 1940, W10371/10016/27, F.O. 371/25044.

¹⁶⁹ minute by Perowne, 10 September 1940, W10371/10016/27, F.O. 371/25044; minute by Farquhar, 11 September 1940, W10213/10016/27, F.O. 371/25043; Foreign Office to Leche, 11 September 1940, W10248/10016/27, F.O. 371/25043.

former mercenary with various dubious ties. At the moment, his primary tie was Pan Am. The American giant was to supply Denby with planes and cash advances in exchange for a minority shareholding. Of course, it was evident to all that Denby's primary task was to drive TACA out of business. He quickly began negotiating with the Guatemalan government to acquire the contract for carrying the Guatemalan chicle crop. If he succeeded, this would be a tremendous blow to Yerex, who just the previous month had told U.S. officials that the renewal of his chicle contract was his foremost business concern. It was lucrative, bringing in much revenue. Moreover, the granting of the contract to Denby would place all of Yerex's Guatemalan operations in doubt.¹⁷⁰

Pan Am's offensive was in large part responsible for Yerex's activities in Washington. Yet here he found U.S. officials were pressuring him to "Americanize." World events added to the urgency of this demand in U.S. official thinking. France had fallen, and Britain faced the early stages of the blitz. The chances of the British holding out were not good, and U.S. officials believed that they very well might end up confronting a Nazi Germany that controlled all of Europe. They wanted to rally the hemisphere to the cause of freedom, and this meant ridding it of real or potential Nazi influence. One of the foremost concerns for U.S. policy makers was to eliminate German influence from the skies of the hemisphere. Surprisingly, Yerex was suspect in American eyes. This was not despite his loyalties--he was clearly loyal to the British cause--but because of them. U.S. officials speculated that if Britain were to fall, New Zealand might be "pried" from the empire, and Yerex might face overwhelming pressure to sell out to German interests. Thus, it became imperative that TACA be under firm American control. In mid-August, the State Department received welcome news. Officials from the newly formed American Export Airlines informed the department of their interest in buying TACA. This provided the department with a double blessing. First, it would

¹⁷⁰ Des Portes to Hull, 17 September 1940, 813.796 TACA/36; Leche to Eden, 14 September 1940, W10347/10016/27, F.O. 371/25044; Department of State Memo of Conversation, 7 August 1940, 813.796 TACA/26.

secure TACA, and, second, it would provide some competition for Pan Am. Thus, throughout August and September, the department actively encouraged American Export while pressuring Yerex to strike a deal.¹⁷¹

Leche frantically lobbied Whitehall to take action. In mid-September, he warned that the situation had become “critical”, and that if the British did not act soon, they would lose Yerex to the Americans. American Export was pressing him for a decision, and while Yerex was buying time by demanding “stiffer” terms of sale, he could only do this for so long. If no offer were forthcoming from the British, the American offer would “have to be accepted.” Leche urged the British to approach the Americans in the manner suggested by Ovey. Only then could they hope to sustain British aviation interests, and indeed British commercial interests in general, in Latin America.¹⁷²

Such reports did raise concerns in Whitehall. One official, noting that they came in after BOAC had sent its dispatch to Yerex, commented “this...leaves me with the uneasy feeling that Mr. Yerex may never have received Mr. Pearson’s message.” He advised that the message be forwarded to Yerex in the United States. On September 18, the Foreign Office did just that. However, records do not indicate if or when Yerex received the message. In fact, it seems that Whitehall did little to follow up on the matter. Yerex visited the British embassy in Washington, seeking some guidance, but received little encouragement. The embassy would report to Whitehall that it had been “very favourably impressed by Mr. Yerex” but that it had “never really regarded his air line as being really our business.” Furthermore, it had never received any “definite expression of the views of His Majesty’s Government as to British air interests in Central America and

¹⁷¹ Drew to Burke, 31 June 1940, 813.796 TACA/8; Briggs to Burke, Welles, 8 August 1940, 813.796 TACA/27; Cousins to Hull, 14 September 1940, 813.796 TACA/35.

¹⁷² Leche to Eden, 10 September 1940, W10346/10016/27, F.O. 371/25044; Leche to Eden, 13 September 1940, W10347/10016/27, F.O. 371/25044.

as to their policy.”¹⁷³ In essence, Whitehall was not taking assertive steps to deal with the situation. Rather, it seemed to wait for fate to impose its will.

Yerex could not wait for the British. He already had decided to issue stock. He structured this offer in such a way so as to retain control of TACA. TACA would issue 150,000 “voting shares” and 150,000 “non-voting shares.” Yerex would have 87% of these. The company would hold an additional 101,000 non-voting shares for future sale. This plan would generate \$390,000 from the immediate sale of stock not held by Yerex, with an additional \$1 million available from the sale of the remaining stock. Yet this would not suffice. The pressure on both fronts in the Americas was too great, and he needed to do something to help his cause. On October 1, 1940, Lowell Yerex sold a controlling interest in TACA to American Export.¹⁷⁴

In a later letter to Leche, Yerex set forth his reasons for making the deal. During a trip to Washington in September, he had visited both the British embassy in Washington and the U.S. State Department. At the former, British officials told him that little could be done for him. They could not blame the Americans for not supporting TACA with regard to Guatemala and the Canal Zone. Moreover, they did not believe they could act on his behalf unless he was “100% a British company.” At the present time, they could offer little hope of support, and in fact stated that Yerex would not be justified in risking TACA by maintaining its present status, the implication being that it would be best if he struck a deal with the Americans. In turn, the State Department made it clear that it could not help a “foreign” company, and that if Yerex went with the British, the department would be even more opposed to it. It also made it clear that it was most anxious to have Yerex “Americanize” TACA. Thus, Yerex concluded, it was “hopeless” to proceed

¹⁷³ minute by Labouchere, 17 September 1940, W10347/10016/27, F.O. 371/25044; Foreign Office to Lord Lothian (H.M. Ambassador, Washington), 18 September 1940, W10347/10016/27, F.O. 371/25044; Chancery (H.M. Embassy, Washington) to Foreign Office, 26 September 1940, W10274/10016/27, F.O. 371/25043.

¹⁷⁴ Davies, *Airlines of Latin America*, 131; Leche to Eden, 10 September 1940, W10346/10016/27, F.O. 371/25044.

without Americanization. Yerex told his friend that he felt as though “I am letting you down,” but that he hoped that Leche would understand.¹⁷⁵

Leche in no way blamed his friend. Rather, he declared his disappointment “that Mr. Yerex should have been driven into the arms of the United States.” He lamented, “our one golden opportunity has been lost for the lack of a little moral and financial support.” Such comments implied that he blamed Whitehall in general for the loss, but in later statements he would mention certain British private interests as the culprits. His superiors in London took no offense. Some were rather fatalistic about the sale, commenting that it did not take them by surprise. Yet they did not hesitate to castigate the officials at the Air Ministry. One Foreign Office official commented, “the responsibility rests with the Air Ministry, who for weeks delayed and procrastinated the making of any decisions as to assistance from HMG.” Another censured the ministry as being “extremely dilatory in formulating their ideas on the subject.” Yet a third referred to “a disgraceful exhibition of ‘missing the bus.’” Like Leche, their charges would later become more specific. For the moment, however, British officials could do nothing but point fingers.¹⁷⁶

The Foreign Office had grounds for complaints, for the Air Ministry had not moved quickly. In fact, ministry officials did not seem to realize the urgency of needing to reach a decision on Yerex. Even as late as mid-September they were willing to take their time. Pearson, for example, had deliberately worded his message to Yerex in such a vague manner so as to be able to gauge the latter’s willingness to work with BOAC. Such tactics were ill timed in light of TACA’s troubles and the pressures from American Export. Yet the Air Ministry seemed not to worry about the “loss” of TACA. In fact, on the eve of the sale, Air Ministry officials actually suggested that such a course of action

¹⁷⁵ Yerex to Leche, 24 September 1940, W11078/10016/27, F.O. 371/25044.

¹⁷⁶ Leche to Eden, 3 October 1940, W11078/10016/27, F.O. 371/25044; Leche to Eden, 2 October 1940, W10347/10016/27, F.O. 3371/25044; minute by Labouchere, 7 October 1940, W10347/10016/27, F.O. 371/25044; minute by J. Balfour, 22 October 1940, W11000/10016/27, F.O. 371/25044; minute by Farquhar, 22 October 1940, W11000/10016/27, F.O. 371/25044.

might be best. One stated that Yerex should just “cash in” on his Central American holdings, and concentrate his efforts on the West Indies and South America, where the British would have a better chance of supporting him.¹⁷⁷ Thus, the sale fit in well with their plans, and, unlike the Foreign Office, did not strike them as a loss.

In retrospect, while the Air Ministry had moved slowly, the British bureaucracy as a whole had proven unable to deal with Yerex in an efficient manner. While the Foreign Office may have felt a greater sense of urgency, it too had failed in not taking the initiative within the government. This was due in large part to the fact that it was uncertain as to which course of action to follow. Foreign Office officials clearly saw a great opportunity for British commercial interests, and they believed that they had a right in principle to support such an enterprise. However, these were extraordinary times, and they realized that principle meant little in the reality of mid-1940. The British were in desperate straits and needed U.S. support. Thus, while they had the right to compete openly with the United States, this was not the prudent time to exercise that right. Yet they failed to grasp what opportunity may have existed. They too readily dismissed reports of the growing split between Pan Am and the U.S. government. Admittedly, Leche greatly overestimated the extent to which the U.S. government would support TACA against its chosen instrument. Yet the British envoy had correctly perceived that all was not well in the American camp. It might have been possible for some Anglo-American arrangement on the basis suggested by Ovey, as there is nothing in the American records to indicate that such an offer would have been unacceptable. In sum, the British government was overly cautious at this juncture. This is not to say that they could have been able to affect a much different outcome, but they certainly could have explored the possibilities to a greater extent. In part, this caution was due to British perceptions of what an airline should be. They seemed uncertain about Yerex’s compatibility with their system. Despite his success, the Air Ministry wanted to

¹⁷⁷ Runciman (B.O.A.C.) to H.H. Balfour, 14 September 1940, AVIA 2/2312, AM; minute by DGCA to

implement changes that their own airline chief said was unnecessary. Moreover, all departments seemed to think that Yerex was in some sort of financial trouble. Perhaps it was too incredible to them that an airline could be financially stable without a subsidy.

From the American perspective, the proverbial fruit had fallen in their laps. It is clear that U.S. officials were not interested in supporting a British line against their own instrument, and that they desperately wanted Yerex to “Americanize” TACA. Yet this sprung not from commercial interests, but strategic concerns. They had not insisted on Americanization because they wanted to eliminate Pan Am’s competition. In fact, they were increasingly desirous of such competition, and many realized that it would benefit the Central American region. But the State Department realized that if it supported such a “foreign” competitor against Pan Am, it would face much criticism in Congress. Thus, “Americanization” opened the door to supporting a competitor. Yet at this juncture in history, the primary concern of the United States with regard to TACA was not commercial in nature. U.S. officials did not worry about TACA becoming a commercial threat, but a strategic one. They insisted on Americanization in large part because they were far from certain that the British would hold out against the Nazi juggernaut. In essence, they wanted TACA in “their” hands not for commercial reasons, but because of security concerns.

As for Yerex, this period was the zenith in his relationship with both governments. He had the admiration of both sides for his business acumen, and while some had doubts about his “character,” these were muted. To both sides he appeared to be one of them—in Washington, he seemed to be a potential American, while in London he was an ardent Britisher. Yet he discovered even this level of goodwill would not allow him to define his own standing with regard to both governments. He tried to make himself an ally of the Americans by doing everything short of Americanizing himself and/or his airline. He found that the Americans wanted control in their hands, not his. He

tried to make himself a part of the British team, but as an independent agent, one who retained control of his own operations. He found the British unwilling to countenance such freedom. In essence, Lowell Yerex wanted to define himself in such a way that would leave him in effective control of the enterprise which he had created, and which he hoped to expand into a great network in the coming years. Yet neither power was willing to grant such independence, each for its own reasons. Unfortunately for Yerex, the possibilities for self-definition became increasingly more remote in the coming years. The battle lines would become more definite, and one had to choose a side.

CHAPTER FIVE: THE MIRAGE

For Lowell Yerex, the American Export deal must have seemed like an oasis in late 1940. He had been battling Pan Am on his own for months, and he needed diplomatic assistance to counter its powerful attacks. Moreover, the promise of capital allowed him to proceed with his plans for expansion. Yet the deal would prove to be a mirage. While the State Department now tried to act on his behalf, it would prove to be an ineffective, even inept, ally. Moreover, the promise of American Export support never “panned out,” and Yerex found himself on his own, battling an enraged adversary. He would emerge from the experience only after much damage to his enterprise and with much bitterness. Meanwhile, he continued to court British interests, but here too encountered problems. The fortunes of war made the British more dependent on the Americans and more hesitant to deal with Yerex in the “backyard” of the United States.

U.S. officials now had their man. The deal was not yet final, as it required the approval of the Civil Aeronautics Board. While the department was aware of this, it moved immediately to support the new “American” company. It sent a dispatch to the legation in Guatemala informing it of the arrangement and instructing it to advise the Guatemalan government that TACA was now an American interest. Des Portes had been complaining about the department’s “silence” in the Pan Am/TACA struggle, claiming that this only helped the former company. The department clearly hoped that this message would bolster the latter. Its swiftness in making this move evidences the welcome that the American Export deal received in the department.¹⁷⁸

¹⁷⁸ Hull to Des Portes, 1 October 1940, 813.796 TACA/37B.

The agreement was not welcome news to Pan Am. To this point, TACA had been an annoyance for the American giant. Now, as part of American Export's network, it represented a real threat to Pan Am's monopoly of American international aviation and all the benefits that went with it. Determined to hold on to this monopoly, Pan Am now launched an all-out offensive against TACA. In the coming months, it would intensify its "dirty tricks" campaign. One report from Central America charged the airline with spreading "slander" about TACA and its officials, and even about U.S. officials who were friendly to Yerex and his airline. Pan Am also engaged in "stealing" personnel from TACA. Yerex's administrators and pilots suddenly received generous offers to work for Pan Am. While many remained loyal, some left, depleting TACA's ranks.¹⁷⁹

The most serious threat to TACA, however, was Pan Am's newfound interest in local operations. The American giant established subsidiaries in Costa Rica and Guatemala, subsidizing these operations so that they could offer services at rates well below those of TACA. In Costa Rica, Pan Am had begun exploring the possibilities of establishing a local company in September, probably in response to the American Export/TACA negotiations, although Trippe claimed that the Costa Rican government had invited Pan Am to set up a subsidiary. In October, Pan Am began negotiations for a government mail contract. Of course, TACA was also seeking the same contract. Pan Am offered to carry the mail at such low rates that it would incur a loss. It publicized this fact, claiming that its motives were altruistic--it wanted to help the Costa Ricans. Of course, the real aim was to drive TACA out of business.¹⁸⁰

Pan Am's offensive in Guatemala was more important, intense and, ultimately, successful. As the reader may recall, Alfred Denby had been busy setting up a competitor for TACA. After the American Export deal, Pan Am and Denby accelerated their efforts. On October 9, the State Department received reports that Denby had succeeded in

¹⁷⁹ Yerex, 120-23; Cabot to Hull, 24 October 1940, 814.796/108; Des Portes to Hull, 9 October 1940, 814.796/96; Cabot to Hull, 21 December 1940, 814.796/140.

obtaining an operating contract from the Guatemalan government. Denby officially established Aerovias de Guatemala on October 11. According to later reports, he held a majority interest in the company of 60%, with Pan Am holding but 20%. However, Pan Am provided much of the capital and all of the equipment. By December, it had deployed planes and crews from its Mexican subsidiary to Guatemala to begin operations.¹⁸¹

The State Department was disturbed by this development. It instructed Des Portes to inform the Guatemalans that the United States would be greatly concerned by any arrangement that might exclude American Export “or any other American company.” This prompted a bitter backlash from the Guatemalan government, which complained about encroachments on its sovereignty. Des Portes was taken aback by the virulent nature of the response, noting that it was the “bluntest” he had ever received from the Guatemalans. He ascribed it to “malicious gossip” spread by Pan Am against TACA, as well as a possible “financial interest” in Denby’s company on the part of Guatemalan officials. Des Portes then discovered that Pan Am and Denby were engaged in a campaign against the legation. On October 18, the minister reported that there were rumors that he held stock in American Export and that this had prompted his inquiries into the matter. He blamed these and other rumors for the Guatemalans’ hostility toward TACA and the legation. Des Portes was able to dispel the rumors about himself and obtain assurances that Guatemala would not oppose any international service by American Export. However, Guatemalan officials made it clear that they would not allow TACA to continue to compete with Denby’s new company.¹⁸²

The fight would only get dirtier. In mid-November, the legation reported two incidents certain to cause distress in Washington. One involved a vice president of

¹⁸⁰ Yerex, 121-2; Trippe to Burke, 20 September 1940, 818.796/127; Nicholson to Hull, 9 October 1940, 818.796/136; Hornibrook to Hull, 4 November 1940, 818.796/143.

¹⁸¹ Davies, *Airlines of Latin America*, 132; Yerex, 121; Hull to American Legation, Guatemala, 9 October 1940, 814.796/95A; Des Portes to Hull, 9 October 1940, 814.796/96; Hull to American Legation, Guatemala, 11 October 1940, 814.796/96; Des Portes to Hull, 15 October 1940, 814.796/99.

American Export, who had come to Guatemala to survey the situation. Despite the fact that his papers appeared to be in order, Guatemalan authorities ordered him to leave the country immediately. Furthermore, the legation heard that President Ubico had personally ordered that no American Export officials were to be allowed to remain in the country. The report noted that Ubico was “having one of his tantrums” and had terrified everyone to the point that there was no way to remedy the situation. The legation followed this with a report of another incident. Denby had flown to the Peten region of Guatemala and had “hijacked” several loads of chicle for which TACA held an exclusive contract to transport. The chicle was in the possession of American interests, among them the Wrigley Company. Agents for these companies protested that Denby could not take the chicle, but he simply walked into the warehouses, seized the product, loaded it aboard his planes, and flew away. Denby claimed that he had authorization from the Guatemalan government for his action, but the legation noted that it was in violation of Yerex’s contract. The local Pan Am representative denied any involvement, which the legation was willing to believe in light of the fact that the action was clearly a “tactical blunder.” Yet it doubted that TACA would be able to obtain any satisfaction, as the government was so clearly hostile to its interests.¹⁸³

This hostility would grow in the coming weeks. The Guatemalan government harassed TACA by various means, including the cancellation of certain flights, the refusal to permit the importation of necessary materials, and the intimidation of various interests holding contracts with TACA. Yet the greatest hindrance was the constant threat to cancel TACA’s operating contract. While the airline continued to do business in

¹⁸² Hull to American Legation, Guatemala, 11 October 1940, 814.796/96; Des Portes to Hull, 9 October 1940, 814.796/96; Des Portes to Hull, 15 October 1940, 814.796/99; Des Portes to Hull, 18 October 1940, 814.796/105, Des Portes to Hull, 16 October 1940, 814.796/100.

¹⁸³ Cabot to Hull, 11 November 1940, 814.796/111; Cabot to Hull, 13 November 1940, 814.796/117.

Guatemala (the chicle companies continued to use TACA, despite the threats of Denby and the government), all were waiting for the other shoe to drop.¹⁸⁴

Meanwhile, in Nicaragua, Pan Am made an effort to establish a local subsidiary. Its officials turned to one man who was familiar with air operations in the country and had close ties to the Somozas: Raymond Kennett. The legation in Managua reported that Kennett had not yet hired on with Pan Am, but was considering an offer from the airline. Of course, in light of his dismissal from TACA, Kennett had no love for Yerex, and with his connections, he could prove to be a real threat to Pan Am's competitor.¹⁸⁵

In Washington, Pan Am's campaign against TACA appalled U.S. officials. The dirty tricks, the subsidiaries, and the political intrigue all smacked of unfair play. As one department memo stated, it was clear that Pan Am's sole objective was to eliminate TACA. In order to do this, it had engaged in "unscrupulous" activities, including deliberate efforts to mislead U.S. officials. Moreover, Pan Am's associations with men such as Denby and Kennett further impinged upon the airline's image. As the memo mentioned, Pan Am now had "trigger man" and a "dope smuggler" as its representatives in Central America. It was clear to the department that Pan Am did not care whether it made or lost money--it was out to eliminate TACA. There were calls throughout the department for some form of action. Some even suggested that Juan Trippe himself ought to be brought in and upbraided for these activities.¹⁸⁶

Pan Am's activities caught the attention of one person in particular. Assistant Secretary of State Adolf A. Berle had been an economic advisor to FDR in the early days of the New Deal, being one of the early "Brain-trusters." He had joined the State Department in 1938. He had no experience in aviation matters, but the activities of Pan Am and Juan Trippe piqued his interest. Berle was well aware of the SCADTA affair, as

¹⁸⁴ Cabot to Hull, 14 November 1940, 814.796/115; Cabot to Hull, 25 November 1940, 814.796/120; Cabot to Hull, 29 November 1940, 814.796/121.

¹⁸⁵ Nicholson to Hull, 28 December 1940, 817.796/86; Nicholson to Hull, 31 December 1940, 817.796/87.

well as Pan Am's ongoing efforts to prevent American Export from obtaining Congressional approval for a mail contract. The reports from Central America further supplemented the indictments against the chosen instrument. Upon reading about the establishment of Denby's airline, Berle wrote a memo to Under-Secretary of State Sumner Welles in which he castigated the chosen instrument. He stated that Pan Am had clearly set up this "dummy company" to "freeze out" the competition, namely American Export/TACA. He noted that the department had instructed the legation to make representations on behalf of TACA, now an "American" company. This prompted a rather harsh response from the Guatemalans that, Berle stated, "was arranged by Pan Air." He warned that Pan Am was portraying itself as "the official representative of the United States government," which of course reflected badly on its benefactor. He declared, "it seems to me it is about time to have this out with Trippe." As the weeks passed and reports of further improprieties on the part of Pan Am reached his desk, Berle developed a deep dislike of the airline and its chief. He even suggested that Trippe "ought to be thoroughly investigated." More importantly, the assault on TACA shaped Berle's thinking about U.S. aviation policy. By late 1940, he had reached a momentous decision: "I want some competition."¹⁸⁷ This was significant because in the coming years Berle would assume the lead in shaping the commercial aviation policy of the United States.

As significant as Berle's decision would be in future years, the department had already committed itself to supporting Pan Am's competitor. For example, it sided with TACA in the matter of the Costa Rican mail contract. When a Costa Rican official inquired of the U.S. minister in Costa Rica whether the Americans would object if Costa Rica granted the contract to TACA, the department sent an immediate reply. It assured the Costa Ricans that the United States would not disapprove. It noted that Pan Am's bid

¹⁸⁶ Ray, memo, 26 December 1940, 817.796/86; Hull to American Legation, Managua, 27 December 1940, 817.796/86A; Berle to Welles, 16 October 1940, 814.796/99; Burke to Welles, 13 November 1940, 814.796/110.

for the contract was so low that it made “operation at a profit impossible”. Clearly, the department argued, the purpose of the bid was to undermine the competition. It asserted that **both** TACA and Pan Am were “essential to the economic welfare and defense of...Central America.” It advised the Costa Ricans to “carefully weigh” the long-term implications of the respective bids, clearly implying that the Costa Ricans should reject Pan Am’s offer. The U.S. minister delivered this message, commenting that it would “no doubt strengthen Taca’s position” in Costa Rica.¹⁸⁸

Meanwhile, the department gave its blessing to TACA on the matter of Panama Canal access. Traditionally, it had denied foreign-owned airlines clearance to cross the canal. Earlier in 1940, the department had urged the CAB to deny permission to TACA until it was completely “Americanized”. By November, however, Thomas Burke, head of the international communications division, was recommending that the department assist TACA by “easing” its stance on the Canal. Access to the Canal, he argued, would “bolster” the company against Pan Am’s attack. The department followed Burke’s advice, pressing the CAB for approval. In December 1940, the board granted the TACA permission to cross the Canal.¹⁸⁹

The department also took action in Guatemala. It promptly notified the Guatemalan government about the American Export deal in the hopes of bolstering TACA’s position in that country. When Denby formed his company soon thereafter, the department made representations to the Guatemalan government to insure that TACA and American Export would continue to have the right to operate in Guatemala. It also authorized the investigation of Denby’s “hijacking” of chicle in the Peten by a U.S.

¹⁸⁷ Berle to Welles, 16 October 1940, 814.796/99; Diary Entry, 10 May 1940, *The Adolf A. Berle Diary* (Hyde Park, N.Y.: Franklin D. Roosevelt Library, 1978), roll 2, frame V: 2, 124; Diary Entry, 21 September 1940, *Berle Diary*, 2, VI: 1, 156; Diary Entry, 14 October 1940, *Berle Diary*, 2, VI: 2, 92.

¹⁸⁸ William Hornibrook (U.S. Embassy, Costa Rica) to U.S. State Department, 15 October 1940, 813.796 TACA/43; Hull to Hornibrook, 16 October 1940, 813.796 TACA/43; Hornibrook to Hull, 25 October 1940, 813.796 TACA/57.

¹⁸⁹ Hull to Harlee Branch (Chairman, Civil Aeronautics Board), 29 November 1940, 813.796 TACA/64; Branch to Hull, 5 December 1940, 813.796 TACA/67; Burke to Welles, 5 November 1940, 813.796 TACA/76.

official. When it appeared that the Guatemalan government would cancel TACA's franchise, the department sent the following message to the Guatemalans:

This Government strongly hopes that the existing rights and privileges granted to TACA by the Government of Guatemala will not be prejudiced or jeopardized by special considerations in favor of any other like company and the TACA will be permitted to continue the normal conduct of its operations on a basis satisfactory to the Guatemalan Government.

In fact, the department met with Trippe to express its distaste for Pan Am's activities in Guatemala.¹⁹⁰

Despite these efforts, TACA's position in Guatemala continued to deteriorate. In early December, the Guatemalan government presented a memo to the U.S. legation outlining the case against TACA. The primary charge was that Yerex had sold TACA to American Export without consulting the government, as his operating contract required. Thus, the government had to cancel the contract as "a matter of national prestige and self respect." TACA officials denied that the company had violated the contract and tried to convince the government of this. They also tried to change the government's attitude by refuting charges against the airline's character and by emphasizing that the U.S. government had an interest in the well being of the company. These overtures were for naught. In mid-December, the government moved against TACA in the Peten. It notified the chicle companies that TACA would no longer receive passes to fly chicle. It soon rescinded this order, apparently because Aerovias could not move the harvest at this point in the season. However, the government permitted Aerovias to use TACA's airfields, including some to which TACA held exclusive usage rights. TACA refrained from protesting, not wanting to upset the delicate situation. Its forbearance did not pay dividends. In January 1941, the government finally canceled all of TACA's contracts, effectively ending its operations.¹⁹¹

¹⁹⁰ Welles to U.S. Legation, Guatemala, 11 November 1940, 814.796/114; Hull to U.S. Legation, Guatemala, 25 November 1940, 814.796/120; Welles to Duggan, 25 November 1940, 814.796/137.

¹⁹¹ Cabot to Hull, 6 December 1940, 814.796/131; William Culbertson (special representative, TACA) to Jorge Ubico (President, Guatemala), 10 December 1940, 814.796/136; Cabot to Hull, 14 December 1940,

The harassment would continue, however, as Yerex endeavored to redeem or remove his assets from the country. At one point, Denby, in the words of one U.S. official, “invaded” TACA’s facilities at the capital and announced that he was taking over the facility (free of charge, of course). Guatemalan officials refused to allow TACA to remove its portable equipment for weeks. When they relented, they demanded that the airline remove it on a moment’s notice, and even limited TACA to three flights into the Peten region to remove all of its equipment there. Reportedly, Yerex managed to get most of his planes and equipment out, but the losses were sobering. Some assets could not be moved, such as buildings, airfields, and larger equipment. TACA’s buildings alone had an estimated value of \$12,000. It received \$5,000 from Aerovias for these, and then only at a much later date. R.E.G. Davies has estimated that Yerex received 5 cents on the dollar for his fixed assets. The loss of business was also staggering-perhaps 20% of TACA’s revenue came from Guatemala.¹⁹² Yerex had suffered a tremendous blow.

The State Department offered no protest. It had adopted a “hands-off” policy in the hope that the situation would resolve itself. Since November, the legation in Guatemala had been recommending that the U.S. government refrain from further representations on TACA’s behalf because the attitude of the Guatemalan government was so hostile that such efforts were counterproductive. Rather, the legation suggested, it would be better to concentrate on securing American Export’s right to operate an international service through Guatemala. The State Department continued to make representations on behalf of TACA through December, but soon accepted the legation’s suggestion. Of course, the U.S. government’s sudden withdrawal did nothing to help Yerex, whose operations suffered severe damage.¹⁹³

814.796/133; Cabot to Hull, 16 December 1940, 814.796/136; Cabot to Hull, 18 December 1940, 814.796/140; Cabot to Hull, 21 December 1940, 814.796/141.

¹⁹² Davies, *Airlines of Latin America*, 131; Yerex, 122; Cabot to Hull, 29 January 1941, 814.796/152.

¹⁹³ Cabot to Hull, 25 November 1940, 814.796/120; Welles to Laurence Duggan (Chief, Division of American Republics), 19 December 1940, 813.796 TACA/75.5.

In retrospect, the department did not prove very helpful to Yerex in Guatemala, even though its intentions were good. Its handling of the Pan Am/TACA struggle in Guatemala revealed both an ignorance of the situation and a lack of commitment to Yerex. When the New Zealander struck his deal with American Export, the department promptly instructed Des Portes to inform the Guatemalan government about the merger. As noted above, the ambassador had been complaining that the department's "silence" about the air war had caused delays in the renewal of TACA's Guatemalan franchise. The department apparently believed that the announcement of the buyout would lead Guatemalan authorities to renew the franchise and thus bolster Yerex's position. This proved to be a grave miscalculation. Pan Am had already convinced the Guatemalans to drop Yerex in favor of its subsidiary. The announcement of the American Export agreement gave the Guatemalans a means of legitimizing their decision. Their contract with Yerex contained a clause stating that TACA could never be sold to foreign interests. The American Export buyout thus allowed them to cancel TACA's franchise and turn the routes over to Pan Am. As TACA's position in Guatemala quickly deteriorated, State Department officials washed their hands of the matter, hoping that the situation would fix itself. Yerex later accused the department of inaction in the affair. He was only half right; it had abandoned him, but only after completely botching the situation.¹⁹⁴

If Yerex was not entirely satisfied with the Americans, they too had their problems with him. Specifically, they did not like his British ties. The sale of TACA to American Export had not ended the British involvement with Yerex. In fact, all through the Guatemalan affair, Leche continued to make representations on behalf of TACA. In October, in response to Guatemalans charges that TACA had violated its contract by selling out to American Export, Leche sent a note of protest denying the charge and insisting that Guatemala adhere to the terms of the contract. He followed this in

¹⁹⁴ Hull to the U.S. Legation, Guatemala, 1 October 1940, 813.796 TACA/37B; Des Portes to Hull, 31 May 1940, 813.796 TACA/6; Hull to the U.S. Legation, Guatemala, 13 December 1940, 813.796 TACA/37B;

November with more protests about Denby's "hijacking" of the chicle and his use of TACA's fields. When the Guatemalans canceled Yerex's contract, Leche did defer to the Americans, allowing them to handle the protest. Yet a month later, he chartered a TACA airplane to transport himself and others on a flight from Guatemala. When the Guatemalans stated that they would not permit TACA's airplane to enter Guatemala to perform this service, Leche fired off a response that the American minister described as "very hot." The British minister declared that the airplane was in the service of His Majesty's Government and that the Guatemalan government had to respect its right of entry.¹⁹⁵ Leche was still fighting on his friend's behalf.

U.S. officials did not appreciate Leche's efforts. Des Portes and his subordinates in Guatemala were certain that many of Leche's protests were simply arousing resentment and additional hostility against TACA on the part of the Guatemalans. In fact, they regarded Leche as immature. One official, commenting on the charter incident, reported "it was perfectly clear that the Minister had provoked the incident merely to show the Guatemalan Government that he could get a TACA plane into Guatemala." He believed that this action would annoy, not impress, the Guatemalans, and likely prejudice TACA's (as well as American Export's) interests in the country. This was not the only objection that the Americans had. They did not like the idea of a British minister acting on behalf of an American company. They worried that the Guatemalan government might resent representations from two separate governments, with the end result being harm to the interests of both TACA and American Export. The State Department suggested to the legation that an "informal talk" with Leche might be necessary in order to "solve the

Des Portes to Hull, 8 October 1940, 813.796 TACA/41; Welles to Dr. Carlos Salazar (Foreign Secretary, Guatemala), 27 December 1940, 813.796 TACA/75.5; Erwin to Hull, 1 April 1941, 813.796 TACA/104.

¹⁹⁵ Cabot to Hull, 1 November 1940, 814.796/110; Cabot to Hull, 14 November 1940, 813.796 TACA/90; Cabot to Hull, 16 November 1940, 814.796/116; Cabot to Hull, 14 December 1940, 814.796/139; Cabot to Hull, 22 January 1941, 813.796 TACA/9; Cabot to Hull, 15 February 1941, 814.796/159.

problem.”¹⁹⁶ Clearly, the United States would have preferred that Leche stay out of TACA’s business.

The Americans were not the only ones looking askance at Leche’s activity. Whitehall became increasingly critical of Leche’s ties to and passion for TACA. This did not mean that His Majesty’s Government had no further interest in TACA. For example, one of the measures that the Guatemalan government implemented in October 1940 to harass TACA was to deny it a stopover on a service between British Honduras and Honduras. This, Leche reported, forced Yerex to fly directly between the two points, which resulted in a monetary loss on each flight. The Foreign Office took grave interest in this because of a long-running controversy with the Guatemalans regarding British Honduras.¹⁹⁷ It immediately asked Leche whether the Guatemalan action involved their possession in some way. Leche was certain that TACA was the only target, which was cause enough for him to demand British action. However, British officials in Whitehall were not interested in defending TACA’s interests. For example, when Leche urged action to protect TACA’s financial investment in its Guatemalan airfields, one official commented that there was no need to “bother” since Yerex had the Americans to help. In fact, if the British records are complete, Leche apparently made his protests on TACA’s behalf without instructions from Whitehall, and even did not inform his superiors about some of them.¹⁹⁸

What Whitehall found so disturbing about Leche’s passion for Yerex and TACA, however, was his continuous stream of suggestions, schemes, and ideas for a British alliance with TACA, even at this late date. Leche found many ways to annoy his superiors, and even offended them on occasion. Soon after Yerex reached his deal with

¹⁹⁶ Des Portes to Hull, 15 October 1940, 814.796/99; Ray to Cabot, 11 December 1940, 814.796/118; Cabot to Hull, 15 February 1941, 814.796/159.

¹⁹⁷ The controversy was simply this: Guatemala claimed British Honduras as part of its territory, denying all British claims to ownership. Even now that British Honduras has become the independent country of Belize, the Guatemalans have never repudiated their claims.

American Export, Leche wrote a letter to Sir David Scott of the Foreign Office in which he castigated the British Embassy in Washington for its treatment of Yerex. Leche complained that Yerex had received a rather cool reception, and had been able to meet only with minor officials instead of the head of the chancery. Moreover, it had shown little interest in his operations and had failed to “push” the State Department enough to overcome U.S. objections to a British investment in TACA. An exasperated official in Whitehall commented that Leche’s criticism “was really rather thoughtless” and demonstrated “a lack of sense of proportion.” The embassy in Washington obviously had “more important matters” with which to deal. Despite this, it had taken the time to compose a memo about the meeting, thereby demonstrating sufficient interest. Moreover, British officials had been cordial, and the ambassador had met briefly with Yerex. As for “pushing” the Americans, reports from Washington clearly indicated that the department would not have backed TACA as a British concern, and “personally I feel that [the embassy] is in a very much better position to know the views of the State Department in this matter than Mr. Leche.” The official commented, “I am afraid that the whole question of Taca Airways is becoming an *idée fixe* with Mr. Leche and that sooner or later we shall have to tell him to take this matter a little more calmly.”¹⁹⁹

This was not the only thing that caused British officials to doubt Leche’s rationality concerning the issue of TACA. Despite the sale to American Export, Leche remained convinced that it could become a useful instrument to British interests. Soon after the sale, he suggested that American Export might be willing to cooperate with British interests. After all, he pointed out, under the terms of the sale Yerex would become a vice president and significant shareholder in American Export. With such influence, Leche believed, the New Zealander might be able to convince American

¹⁹⁸ Leche to Eden, 10 October 1940, W11000/10016/27, F.O. 371/25044; Foreign Office to Leche, 31 October 1940, W11000/10016/27, F. O. 371/25044; minute by Labouchere, 7 October 1940, W10854/10016/27, F.O. 371/25044.

¹⁹⁹ Leche to Scott, 5 November 1940, W12278/10016/27, F.O. 371/25044; minute by Labouchere, 9 December 1940, W12278/10016/27, F.O. 371/25044.

Export to cooperate with the British in a myriad of ways. It might establish its Central American terminus in British Honduras and link its services with the British West Indian operation. It might also operate a service to South America in conjunction with a BOAC service between that continent and Britain. Leche emphasized that American Export was sympathetic to the British, and that some of the airline's officials were British subjects. In fact, Leche went so far as to travel with Yerex to the United States to meet with American Export officials. According to him, they expressed a willingness to cooperate with BOAC and even with Yerex's British West Indian operation. Furthermore, Leche was certain that the State Department would countenance such a joint venture. He concluded that the partners could build a vast network throughout the hemisphere. Leche's ideas were infectious and reached all the way to South America, where Ovey lent his support to a scheme of American Export/BOAC cooperation. He even suggested that BOAC purchase Yerex's holding in American Export.²⁰⁰

Officials in Whitehall were incredulous. It seemed that British officials in the Americas had visions of developing a vast international network in the western hemisphere at a time when the mother country was struggling for its very survival. It was the fall of 1940, and London was staggering under the blitz. Britain was facing imminent invasion. German U-boats were threatening to starve the island of vital supplies. Britain's treasury was exhausted, and British officials were uncertain how they would continue to pay for the war. In the midst of this, officials in the western hemisphere expected that the British could continue with "business as usual" with regard to Yerex's airline. Of Ovey's "grandiose scheme" one official noted "several snags." One, any operation in the region would have to use Pan Am's fields, and Pan Am was unlikely to acquiesce to this. Even if it did, the American giant "would presumably break American Export Airlines and poor Mr. Yerex." Two, American Export was unlikely to permit the sale of its stock to BOAC, and Yerex was unlikely to sell. Three, the Air Ministry simply lacked the resources to

²⁰⁰ Leche to Halifax, 31 October 1940, W12216/10016/27, F.O. 371/25044; Ovey to Eden, 17 December

build such a network. Yet the vast majority of the criticism was for Leche, and the tone was much more harsh. George Labouchere referred to Leche's proposals for cooperation between American Export and the British West Indian service as "wishful thinking." He simply could not believe that the Americans would be willing to cooperate with British interests in South America when they had not been willing in Central America. In reference to Leche's plans for a vast network in the hemisphere, Labouchere commented, "Mr. Leche's schemes get wilder and wilder." Leche, after all, was talking about a line in South America "which doesn't exist" and a "yet mythical line" between South America and Europe. Labouchere concluded, "Presumably he refers to some happy future when such lines will have materialized." Labouchere declared that Leche "in his enthusiasm for Taca has a tendency to submit grandiose schemes which I am certain he has neither thought out nor talked over with Yerex and I think it is high time that this tendency was politely checked."²⁰¹

The Foreign Office did move to rein in its officials. For example, Balfour wrote the Buenos Aires embassy to present the efforts made in London on Yerex's behalf. He talked about the interdepartmental meeting and the decision to contact Yerex for proposals. He claimed that Yerex had "convinced himself" that American competition was too strong and that he would have to strike a deal with American Export. While unfortunate, there was little the British could do to help Yerex in light of the war. Interestingly enough, the letter makes no mention of the "dilatatory" approach to the issue for which Balfour had earlier criticized the Air Ministry. Clearly, the Foreign Office did not want to fuel any controversy; it simply wanted to close the books on the issue. So determined was it to do this that Balfour specifically instructed that Leche was not to receive a copy of this letter, as this "would start up another controversy." Rather, the

1940, W12640/10016/27, F.O. 371/25044.

²⁰¹ minute by Labouchere, 24 December 1940, W12640/10016/27, F.O. 371/25044; minute by Labouchere, 17 October 1940, W11000/10016/27, F.O. 371/25044; minute by Labouchere, 27 November 1940, W11000/10016/27, F.O. 371/25044.

Foreign Office “politely” informed Leche that the British were concerned only with starting a West Indian service and that they awaited Yerex’s proposals toward this end.²⁰²

While the British wanted to steer clear of the mainland, they were vitally interested in a West Indian service. In making his deal with American Export, Yerex reserved the right to proceed with such a venture under his own auspices. The Foreign Office was well aware of this, and while it wanted to quash any grandiose schemes, it wanted to assist Yerex in this area “as much as we can...and soon.” While the British felt they could not compete with the Americans elsewhere in the hemisphere, they were certain that they could accord some protection to Yerex in the West Indies. There was a potential problem in that they found themselves becoming increasingly dependent on the United States for the materials needed to continue the war. Recently, the two nations had negotiated an agreement which gave the United States the right to build bases in Britain’s Caribbean possessions in exchange for fifty “overage” destroyers which the Royal Navy needed to combat the U-boats. The Foreign Office realized that the Americans might use Pan Am to develop these bases, and it did not want to interfere with these defense preparations. There were reports that Pan Am had already asked the Governor of Trinidad for permission to operate from his island. Even so, one official stated, “I hope we shall be as firm...as the situation permits.” Another declared “we must do something in a practical way to help Yerex.” The Foreign Office did urge the Colonial Office to instruct its officials in the colonies to not grant any privileges that might be detrimental to Yerex’s service. As it turned out, the Colonial Office had already done so on its own initiative.²⁰³

²⁰² J. Balfour to Hadow (H.M. Embassy, Argentina), 13 November 1940, W11063/10016/27, F.O. 371/25044; minute by J. Balfour, 22 October 1940, W11000/10016/27, F.O. 371/25044; Foreign Office to Leche, 6 December 1940, W11000/10016/27, F.O. 371/25044.

²⁰³ minute by Labouchere, 17 October 1940, W11000/10016/27, F.O. 371/25044; minute by Farquhar, 30 October 1940, W11000/10016/27, F.O. 371/25044; minute by Perowne, 28 October 1940, W11360/10016/27, F.O. 371/25044; minute by Farquhar, 30 October 1940, W11360/10016/27, F.O. 371/25044; Leche to Eden, 24 October 1940, W11360/10016/27, F.O. 371/25044; J.A. Calder (Colonial Office) to Under-Secretary of State, Foreign Office, 7 November 1940, W11360/10016/27, F.O. 371/25044.

Yerex had begun exploring the possibilities for a West Indian service in September 1940, at the behest of Sir Hubert Young, the British governor of Trinidad. In November, he was able to fly to Trinidad (with Leche accompanying him), and on the 27th of that month, Yerex established British West Indian Airways, basing it in Trinidad. According to Yerex himself, his intention was to operate a “one-plane service.” Initially, it made runs between Trinidad and the neighboring islands of Tobago and Barbados.²⁰⁴

Despite the fact that this territory was not under his purview, Leche remained closely involved with this new venture. He reported that the service seemed “very promising.” For Leche, such promise involved more than an inter-island service in the British West Indies. He already had sent dispatches suggesting that BWIA might become part of a larger hemispheric network of British airlines. While Labouchere of the Foreign Office dismissed such ideas as idle talk, Leche did endeavor to make it a reality. The very day of BWIA’s incorporation, he sent a dispatch requesting support for a BWIA service in Venezuela. According to Yerex’s nephew, and contrary to the assumption in Whitehall that Leche was firing from the proverbial hip, Yerex was desirous of establishing such a service.²⁰⁵ Clearly, the two men had some big ideas.

Such proposals raised grave concerns in Whitehall. It was “gratifying” to hear that the new airline seemed to hold some promise. Yet there were the usual recriminations against Leche, with Labouchere commenting, “as usual Mr. Leche’s suggestions are all rather vague and undefined.” Labouchere recommended that the Foreign Office disregard Leche’s request regarding Venezuela, as this “will start off a whole mass of hares which are likely to be coursed all over South America at the detriment of public funds.” Clearly, Labouchere and his colleagues did not want an encore of the previous summer’s performance. Quite simply, they wanted to keep BWIA in the relative safety of the West

²⁰⁴ Davies, *The Airlines of Latin America*, 141, 151; Yerex, 139-140.

²⁰⁵ Yerex, 140; Leche to Eden, 27 November 1940, W12161/10016/27, F.O. 371/25044.

Indies.²⁰⁶ This exchange foreshadowed future conflicts in BWIA's development. While Yerex wanted to expand the airline outside the British West Indies, the British government balked at such ambition.

This would not be the only foreshadowing, for even when Yerex endeavored to work within the region, he found the British difficult to deal with on various issues. Surprisingly, at the time he began his services from Trinidad, there was some debate in London regarding support for these operations. The difficulty was due to the fact that the Dutch national airline, KLM, was preparing to operate to various British West Indian colonies. Yerex claimed that if this occurred, he would not be able to continue his service unless he received some form of commercial protection from the British. The Foreign Office, however, did not want to restrict KLM's operations before Yerex had submitted definite proposals for his British West Indian operations, lest the British find themselves without a satisfactory service in the region. Moreover, the British depended on Dutch facilities elsewhere, and did not want to harm these interests. Thus, they would take no definite steps in support of Yerex until he had set forth a definite scheme for BWIA. Of course, the Foreign Office, the Colonial Office, and the Air Ministry all believed that the initiative for any such scheme lay with Yerex, and that he would have to do the necessary legwork to put it together. This included him submitting proposals to each of the colonial governors in the pertinent colonies. The Colonial Office, which was spearheading the effort (such as it was) from London, did offer a compromise. It would ask KLM to delay for a month while Yerex put his proposals together.²⁰⁷

While the British may have considered the offer generous, it did not come close to providing Yerex with enough time. It would take more than a month to survey all the routes, scout the various islands for landing sites, and piece together a business proposal.

²⁰⁶ minute by Labouchere, 2 December 1940, W12161/10016/27, F.O. 371/25044; minute by Farquhar, 30 October 1940, W11000/10016/27, F.O. 371/25044.

²⁰⁷ Sir Hubert Young (H.M. Governor, Trinidad) to Colonial Office, 4 December 1940, C13319/5376/29, F.O. 371/24461; Colonial Office to Young, 17 September 1940, C8047/5376/29, F.O. 371/24460; minute

He found local officials to be less than expeditious in assisting him. In January he made inquiries with the authorities of the Windward Islands, but received a response from only one island (Grenada), which had no funds for an airstrip. Moreover, he had to come up with some estimates for passenger traffic in order set flight frequencies, a process which would take time because no such data existed. It would be April 1941 before he could submit a proposal to the governors of Trinidad, Barbados, the Leeward Islands and the Windward Islands. Among its key points were the ownership and personnel provisions. At least 80% of the stock of BWIA was to be in British hands, and at least 80% of its employees were to be British subjects. The proposal emphasized that BWIA sought no subsidy. Because of this, it requested “sweeping” exemptions from tariffs and other taxes, as well as protection against subsidized foreign competition (i.e. Pan Am). Because it would take some time for the airline to turn a profit, the contract between the governments and the airline was to last for 20 years, and was subject to amendment only upon mutual agreement. As Leche noted, the proposal was incomplete because Yerex had been unable to send a ground engineer to examine the area for landing sites.²⁰⁸ If Yerex hoped that he would receive a quick response, he was disappointed. He was merely beginning a process that would last over two years as the British bureaucracy proved to be a formidable barrier to his plans.

As always, Yerex needed some speedy action. In November 1940, the U.S. government and Pan American Airways had signed a secret agreement creating the Airport Development Program. This was part of the government’s campaign to secure the hemisphere against a feared Axis attack. The U.S. government wanted airbases for this purpose, but had realized that the nations of Latin America would not allow American forces to construct bases on their territory. Thus, the U.S. government had created the

by J.Y. MacKenzie (H.M. Foreign Office), 15 December 1940, C13319/5376/29, F.O. 371/24461; minute by Labouchere, 27 November 1940, W11000/10016/27, F.O. 371/25044.

²⁰⁸ Yerex to Leche, 11 April 1941, W5143/62/802, F.O. 371/28703; Yerex to Sir Gordan Lethem (H.M. Governor, Leeward Islands), 24 April 1941, W6051/62/802, F.O. 371/28703; Leche to Young, 24 April 1941, W5002/62/802, F.O. 371/28703.

ADP, under which Pan Am would build these bases, ostensibly for commercial purposes, using secret U.S. government funds. If all went according to plan, Pan Am would have commercial bases at no cost, the U.S. government would have bases ready in the event of war, and the Latin Americans would be none the wiser.²⁰⁹

One of the areas in which the U.S. government employed the ADP was the Caribbean. As a result, during late 1940 and early 1941, Pan Am began exploring the region for possible bases. Leche regarded this activity as a response to BWIA, and warned that Pan Am, “frightened of Yerex,” would stop at nothing to ruin him or the service. While Leche probably overestimated Yerex’s importance in Pan Am’s initiatives, his fears were not wholly unjustified. In early 1941, Pan Am approached Governor Young of Trinidad, attempting to inquire about the possibility of building a seaplane base in his jurisdiction. In May, the U.S. State Department informed the British that Pan Am had told the department about this initiative. According to Pan Am, the governor had requested official confirmation of the U.S. government’s interest in the construction of such bases. The department was confirming that the U.S. Navy had an interest in a seaplane base. When he heard about the letter, Young promptly balked. He asserted that Pan Am had made no official inquiries, that he had not sought any confirmation, and that he had instructed the airline that it would have to go through diplomatic channels for permission.²¹⁰

Officials in London had expressed their willingness to protect BWIA from Pan Am. Yet Pan Am’s interest in airbases in the British West Indies caused a problem. If this interest was related to the U.S. defense plans for the region, the British could not very well balk at Pan Am’s proposals. Days after Young’s message, the Colonial Office suggested that the British ask the U.S. government what its needs were in this matter so

²⁰⁹ For a complete study of the ADP, consult: Bynum E. Weathers, “A Study in the Methods Employed in the Acquisition of Air Bases in Latin America,” (Ph.D. diss., University of Denver, 1971).

²¹⁰ Leche to Young, 24 April 1941, W5002/62/802, F.O. 371/28703; Halifax to Young, 7 May 1941, W5513/62/802, F.O. 371/25830; Young to Secretary of State for the Colonies, 12 May 1941, W5892/62/802, F.O. 371/25830.

that the British could decide what had to be done. The Colonial Office also asked the Air Ministry about its plans for Trinidad. The latter replied that it had no plans for a base, but it would make use of any facilities that the United States or Pan Am erected. The Air Ministry commented that it would be a “pity” if Pan Am got the site, as it was the best on Trinidad. However, if the British could not avoid this unfortunate development, they should be careful to reserve their commercial rights on any base.²¹¹ Despite the immediacy of the American threat and the obvious need to establish some service in the region so as to preserve British commercial rights, there was little sense of urgency in London regarding the BWIA proposals. Yerex would find his plans in the West Indies stalled for many months to come.

Meanwhile, throughout the first half of 1941, Leche continued to plead for British support for Yerex in other areas. In an April dispatch, he freely acknowledged that cooperation with American Export might offend Pan Am, but stated that it was “defeatist” to consider this matter to be “insoluble.” He reiterated that the State Department was opposed to Pan Am, and that the American giant had achieved much on the basis of “bluff.” While Leche could comprehend that this worked in Central America, he could not understand why the British government would not call Pan Am’s bluff. In a subsequent letter, he went so far as to suggest that perhaps some private interest was corrupting H.M.G. policy. He declared, “I cannot help feeling...that some important British private concern may be interested in PAA or the Grace line who own 50% of Panagra and I suspect that it may be, amongst others, Balfour Williamson.”²¹²

One might have expected such a charge to cause an eruption of denial and condemnation in Whitehall, but quite the contrary, some Foreign Office officials had suspicions of their own. Perowne commented, “there has always been something very fishy about the A.M. handling of Yerex and BOAC handling too. They have both always

²¹¹ W. Bigg (H.M. Colonial Office) to J. Balfour, 17 May 1941, W6008/62/802, F.O. 371/28703; Maurice Banks (Air Ministry) to Bigg, 19 May 1941, W6194/62/802, F.O. 371/28703.

been averse to helping.” Regarding the meeting of the previous September, Perowne recalled that the “whole proceeding had been most suspicious.” An Air Ministry representative, chairing the session, had prevented other officials from explaining their reasons for supporting Yerex. Pearson, for his part, “gave the impression of being half alive.” Then the Air Ministry had suddenly reversed the decision to send a representative to meet with Yerex in person. Perowne concluded, “The whole attitude of the AM toward Yerex has been most peculiar.” Such suspicions were not without reason. In September, Air Ministry officials talked with a BOAC representative, who explained that Pearson had decided that it was too early to meet face-to-face with Yerex, lest he prove “difficult to deal with.” Pearson wanted to conduct some more “preparatory work” and leave the initiative for a face-to-face meeting with Yerex. The Air Ministry agreed, but did not share this with the other interested agencies.²¹³ There are no records to indicate, however, that a British private interest was behind this decision. It is likely that BOAC’s hesitancy stemmed from an aversion to working with an outsider, or from a fear that he might become a rival.

Despite its suspicions about the Air Ministry, the Foreign Office had little appreciation for Leche’s other points. His correspondence resounded with old themes, such as the perfidy of Pan Am. Despite the fact that TACA was no longer the responsibility of the British, he continued to report on the Guatemalan situation. He cited various pieces of evidence of Pan Am wrongdoing in ousting TACA from the country. For example, he related that during a visit to Nicaragua he had talked to Somoza, who had told him that Ubico had tried to convince the other Central American republics to oust TACA as well. When Leche asked the reason for Ubico’s hostility, Somoza indicated bribery. The source of money was, according to Leche, Pan Am. Moreover, the minister reported that Yerex had discovered at a C.A.B. hearing that Denby had gotten

²¹² Leche to Eden, 14 April 1941, W5144/62/802, F.O. 371/28703; Leche to Scott, 15 April 1941, W6129/62/802, F.O. 371/28703.

\$30,000 to invest in Aerovias with the help of Pan Am, and that the small airline was \$90,000 in debt to its larger benefactor. However, Leche was able to take some pleasure in the developments in Guatemala. He claimed that Aerovias Guatemala was struggling to perform its duties, as it was “completely disorganized.” It was so desperate for planes that it had built one from spare parts. The Foreign Office was hardly appreciative of such accounts. Referring to the report on Aerovias’ disorganization, Labouchere snidely remarked, “I trust that Mr. Yerex will be able to profit from this state of affairs.” Yet Leche was not merely spiting Pan Am. Rather, he believed that its failures and questionable actions had made it suspect in Washington. He continued to claim that American Export would be willing to cooperate with BOAC in a trans-Atlantic route. Moreover, the U.S. government would support this effort, as it wanted competition between Pan Am and American Export.²¹⁴

There was a contradictory strain to Leche’s lobbying, however. While he continued to urge cooperation with American Export, he also espoused a desire and belief that TACA still might be saved for the British. The basis for his hope was American Export’s difficulties in Congress. In late 1940, a Senate committee voted against a mail contract for American Export. This placed American Export’s overseas operations in doubt, as it could not hope to start a trans-Atlantic service without such a subsidy. Leche believed that American Export might have to pull out of the TACA deal. This, the minister argued, would provide the British with another opportunity to take control of TACA. Of course, this caused some confusion in Whitehall regarding what Leche was proposing. Were the British to cooperate with a failing airline, or were they to support a potentially independent TACA? As Labouchere commented, Yerex’s situation vis-à-vis American Export was suddenly “obscure,” and there seemed to be no hope of clarification

²¹³ minute by Perowne, 13 May 1941, W6129/62/802, F.O. 371/28703; minute by H.H. Balfour to PUS, 12 September 1940, AVIA 2/2312 (Part I, 1939-40), AM.

²¹⁴ Leche to Eden, 18 February 1941, W6624/62/802, F.O. 371/28704; Leche to Eden, 15 May 1941, W6382/62/802, F.O. 371/28704; minute by Labouchere, 26 May 1941, W6382/62/802, F.O. 371/28704;

from Guatemala.²¹⁵ Understandably, officials in Whitehall were dubious about Leche's visions

Despite his exasperation with Leche's tireless lobbying for TACA, Labouchere admitted that the minister had to be given credit for "sticking to his guns." The objections to his proposals, however, were simply too much to ignore. The Air Ministry made it clear that BOAC could not cooperate with American Export because the British instrument had to cooperate with Pan Am in "many parts of the world." Support for American Export would greatly complicate this vital relationship. Moreover, the Air Ministry pointed out that BOAC barely had enough aircraft to maintain its existing services, let alone start a new one in conjunction with American Export/TACA. Finally, like the Foreign Office, the Air Ministry did not believe that the reported conflict between Pan Am and the U.S. government was as serious as Leche claimed. The Foreign Office concurred, adding that it also saw no evidence that American Export was as willing to cooperate with BOAC as Leche maintained.²¹⁶

If the Foreign Office and the Air Ministry had remained privy to Leche's arguments, they might have found the situation much simpler to control. However, in early 1941 a British mission arrived in Latin America to survey British economic fortunes in the region. On January 10, Leche reported that the head of the mission, Lord Willingdon, had asked him to come to Panama to meet the delegation. Officials in the Foreign Office immediately suspected the topic of conversation: Yerex. Labouchere was certain that this would be "a pure waste of time," as Leche would doubtless try to impart his "hallucinations" about cooperation with American Export and the U.S. government's hostility toward Pan Am. Yet, Labouchere admitted, there seemed to be no basis for

minute by Labouchere, 2 May 1941, W5144/62/802, F.O. 371/28703; Leche to Eden, 14 April 1941, W5144/62/802, F.O. 371/28703.

²¹⁵ minute by Labouchere, 27 April 1941, W5932/62/802, F.O. 371/28703; Leche to Eden, 26 June 1941, W7944/62/802, F.O. 371/28704.

²¹⁶ minute by Burkett to DDGCA, DGCA, 22 March 1941, AVIA 2/2312 (Part II, 1940-41), AM; minute by Labouchere, 2 May 1941, W5144/62/802, F.O. 371/25830; minute by Labouchere, 13 January 1941, A236/236/8, F.O. 371/25828.

refusing the suggestion, as Lord Willingdon had made the request. Thus, Leche received permission to go.²¹⁷

As Labouchere had feared, Yerex was the dominant figure in the meeting. In fact, he personally flew Leche down to Panama. Thus the stage was set for a rather dramatic and adventurous meeting, at least from Leche's perspective. He reported that American fighters were sent from the Canal Zone to intercept Yerex's airplane and prevent it from landing. In the process, they almost collided with the passenger aircraft. Reportedly the fighter pilots stated that their instructions were to stop Yerex from landing by all means short of collision. They had endeavored to do so despite the fact that the TACA airplane was landing in Panamanian territory with the permission of its government. As a result, Leche declared, the Panamanians were "furious" over the incident.

After this rather exciting start, Leche and Yerex were able to meet with Willingdon, who was "perfectly charming." The minister could not say the same for some of the other members of the mission, whom he noted were "not so easy to deal with." Fortunately for Yerex, an opportunity presented itself to impress the delegation. Pan Am had been unable to provide the group with a charter service to Caracas and Bogotá. Leche arranged for TACA to make the flight, and at a rate much lower than that of Pan Am. However, the flight almost did not take place, for some of the members were "scared...out of their wits" by "Pan Am propaganda." Some wanted a Pan Am co-pilot on the trip, while others wanted to weigh the luggage to make sure that it did not exceed the aircraft's payload limits. To demonstrate his confidence, Leche traveled with the party as far as Bogotá. The trip proceeded with no problems, and the end result was a "good advertisement" for TACA. Lord Willingdon, Leche claimed, was "struck" by Yerex's personality and told the minister that the New Zealander "was one of the most attractive and remarkable men he had met for years." While one of the members of the mission remained "defeatist" about TACA's chances vis-à-vis Pan Am, two others promised "all

²¹⁷ Leche to Eden, 10 January 1941, A236/236/8, F.O. 371/25828; minute by Labouchere, 13 January 1941,

possible help” for Yerex. Leche further asserted that Yerex wanted to sever all American connections and concentrate his efforts in the West Indies under British auspices.²¹⁸

The reaction to Leche’s letter in Whitehall was one of incredulity. Even Gallop remarked that the account of the encounter with the American fighters was “very strange.” Labouchere commented, “it is all so exaggerated.” He even referred to Leche’s claim about Willingdon’s impression of Yerex as “bilge,” asserting that Willingdon told him that Yerex was “interesting...but not a supercreature.” Yet in a note to the Air Ministry about the matter, Labouchere acknowledged that Willingdon had been “impressed by the latter’s obvious ability.”²¹⁹

Whatever doubts Labouchere and his colleagues may have had about Leche and his reports, Yerex apparently did make an impression upon the mission, for inquiries soon began arriving at the Foreign Office. The Ministry of Economic Warfare contacted the office, mentioning that it had noticed references in the Willingdon Mission’s report about a British air service to South America. The M.E.W. stated that it would appreciate any pertinent information about the possibilities for such a service. Labouchere told the ministry that these references originated with “wild schemes” by Leche and Hadow about the possibilities of using TACA and American Export to launch such a service, and that these were “utterly impracticable.” The M.E.W., he reported, withdrew its request.²²⁰

Such efforts to nip a flowering interest in Yerex and his operations would not prove successful, however. In early May, the Ministry of Information contacted the Dominions Office regarding Yerex’s operations. The Ministry believed that the time was favorable to aid Yerex in expanding his network. It declared that TACA was a “phenomenon” because it could make profits without subsidies, and that Yerex was a

A236/236/8, F.O. 371/25828.

²¹⁸ Leche to Scott, 22 February 1941, A1752/236/8, F.O. 371/25828.

²¹⁹ minute by Gallop, 18 March 1941, A 1752/236/8, F.O. 371/25828; minute by Labouchere, 18 March 1941, A1752/236/8, F.O. 371/25828; Labouchere to Herbertson, 3 April 1941, A1752/236/8, F.O. 371/25828.

²²⁰ Patrick Reilly (Ministry of Economic Warfare) to Gallop, 24 April 1941, W5045/62/802, F.O. 371/25703; minute by Labouchere, 3 May 1941, W5045/62/802, F.O. 371/28703.

“genius in his own line” who had impressed everyone who had met him, from Leche to Willingdon. Furthermore, there appeared to be a “hitch” in American Export’s plans to buy out TACA. The M.O.I. saw an opportunity to keep TACA in British hands, and asked the Dominions Office to look into the possibility that Canadian interests might be willing to invest in TACA. The Dominions Office was willing, but wanted the Air Ministry to reconsider its policy regarding TACA before it would make any inquiries. The momentum for reconsideration became overwhelming. Even the Foreign Office lent its support to an interdepartmental meeting. During the first week of June, it had received reports that the U.S. Congress had rejected any subsidy for American Export. This placed the airline’s Atlantic operations in doubt and greatly increasing the likelihood that it would have to withdraw from its arrangement with TACA. As a result, Labouchere noted, HMG needed to discuss Leche’s “points” about the future of British cooperation with Yerex. In the face of such pressure, the Air Ministry called an interdepartmental meeting for June 12.²²¹

The chair at the meeting was Sir Arthur Street, of the Air Ministry. Street began the meeting with a long synopsis of the events and the ministry’s views on the issue. He set forth three proposals for British operations in the area. One, the British could establish a service to South America from Britain. Two, they could subsidize TACA’s expansion into South America. Three, they could establish a service in the British West Indies, expanding this northward to the United States and Canada, and southward toward Latin America. Street promptly dismissed the first two proposals. He noted that the British could not establish a service to South America because they lacked the planes; the War Cabinet itself had made this decision. As for subsidizing a South American network, the ministry did not believe it could recommend the sizable subsidy needed for such a

²²¹ Duff Cooper (Ministry of Information) to Viscount Cranborne (H.M. Dominions Office), 7 May 1941, W6006/62/802, F.O. 371/28703; J.J.S. Garner (H.M. Dominions Office) to R.H. Melville (Air Ministry), 14 May 1941, W6006/62/802, F.O. 371/28703; R. Callander (H.M. Foreign Office) to Garner, 24 May 1941, W6006/62/802, F.O. 371/28703; minute by Labouchere, 3 June 1941, W6803/62/802, F.O. 371/28704; minute by Labouchere, 2 June 1941, W5144/82/602, F.O. 371/28703.

network. Even if it could, Yerex might have problems finding planes in light of the demands of the war. As for the British West Indian service, both the ministry and the Colonial Office were “anxious” to see such a service in place. However, the extensions outside the region would require careful consideration. He pointed out some additional considerations. One, the American Export deal might not work out. Two, Pan Am was undermining TACA in Central America, and Yerex might be looking to South America as a way out of the fight. Third, BOAC had to cooperate with Pan Am throughout the world, and thus could not compete with it in Latin America. In sum, the Air Ministry wanted to support only the British West Indian operations, and then only in the colonies.

The representatives of the Ministry of Information quickly offered a counterpoint to the Air Ministry’s line of argument. Yerex, they asserted, could establish valuable feeder lines for a later BOAC service to South America. They pointed out that he had successfully battled Pan Am for years, and that with his experience and present equipment, he could establish a network. Furthermore, he was “intensively proud of his British citizenship.” The Air Ministry countered that there were no doubts about Yerex’s ability, but that it seemed he “was being encouraged to pursue grandiose schemes which distracted him from more limited but practically attainable and certainly highly important schemes.” The Colonial Office agreed, expressing disappointment that it had not received any proposals for these services from Yerex. Pearson concurred with the Air Ministry, adding that BOAC was still willing to work with Yerex, but in light of its current arrangements with Pan Am, it would prefer to have Yerex sever his connections with American Export before proceeding. The meeting adjourned after those present made the following decisions. One, South American services were “out of the question.” Two, the Colonial Office was to impress upon Yerex the importance and urgency for his proposals

regarding BWIA Third, His Majesty's Government would wait and see what developed in the American Export deal.²²²

The Foreign Office was not entirely happy with the Air Ministry. Labouchere sarcastically commented, "How helpful the A.M. are. Having steadfastly set their faces against reopening the Taca question they now summon a meeting at 24 hours notice." Labouchere related that he told Air Ministry officials "what I think of them." Yet while there were recriminations against the Air Ministry in this regard, the Foreign Office went along with the conclusions at the meeting, which the Air Ministry had closely guided. Foreign Office officials hoped that they might now consider the matter closed and that this would end the barrage from the Americas. Of course, the one person they had to convince of this was Leche. Labouchere urged that a dispatch be sent to the minister informing him of the results and that "this subject must now be considered closed." In a surprising show of sensitivity, Labouchere recommended that Scott, a friendly acquaintance of Leche, send the message, along with a word of appreciation for the minister's efforts. In his letter, Scott acknowledged that Leche was likely to be "disappointed," but assured him that the Foreign Office had awoken the Air Ministry to the possibilities. Now, he stated, "we must abide by the meeting's conclusions." Most importantly, Leche had to turn Yerex's full attention to the British West Indies.²²³

This did little to dampen Leche's enthusiasm for Yerex and TACA. Earlier messages had been sent to "close" the issue, and they had done little good. As he said in a response to an earlier effort to quiet him on the matter, he returned "like a dog to his vomit." If the meeting of June 12 had dampened his spirit, a visit from his old friend soon revived it. On June 26 Leche reported that Yerex had returned from the United States convinced that the American Export deal would fall through. In fact, he had asked

²²² "Note of a meeting held at the Air Ministry, Whitehall on the 12th June, 1941, to discuss the possibility of assisting the development of the activities of T.A.C.A. Airlines," 12 June 1941, W5144/62/802, F.O. 371/28703.

²²³ minute by Labouchere, 11 June 1941, W7197/62/802, F.O. 371/28704; minute by Labouchere, 15 June 1941, W5144/62/802, F.O. 371/28703; Scott to Leche, 18 June 1941, W5144/62/802, F.O. 371/28703.

American Export to release him from the deal, but the latter had refused. If the deal did fall apart, Leche declared, the British would have to be ready to support Yerex with planes and personnel, which were in short supply. With a renewed sense of vigor, Leche took up TACA's cause in Central America. In a dispatch to British officials in Managua, Leche urged them to dispel ongoing rumors about TACA's safety among British subjects and encourage them to fly the airline. After all, it was still, and very well might remain, a British airline.²²⁴

While he disregarded his instructions regarding TACA, Leche did not ignore the interest of His Majesty's Government in the British West Indies. He assured them that Yerex was "very satisfied with his position in the West Indies," and wanted to focus his efforts in this area. Despite the complaints in Whitehall on June 12, Yerex had in fact been very busy in the West Indies. He had delivered his proposal to the colonial governments, which the Air Ministry acknowledged only a day after the interdepartmental meeting at which it had bemoaned the lack of action by Yerex on this front. Meanwhile, Yerex had sent a ground engineer to make preparations for the runways. In early June, he himself went to inspect various sites and reported his findings to the governor of Trinidad.²²⁵ Contrary to some claims in Whitehall, Yerex was moving speedily to establish his service.

The subsequent delays in this process were due to British authorities. In London, the Air Ministry, while acknowledging that it had received Yerex's proposal, stated that it was withholding comment until the governors of the British West Indies had taken the opportunity to examine and discuss it with Yerex. The Colonial Office also seemed to be awaiting developments.²²⁶ Of course, this would take much time, but suddenly neither

²²⁴ Leche to Scott, 15 April 1941, W6129/62/802, F.O. 371/28703; Leche to Eden, 26 June 1941, W7944/62/802, F.O. 371/28704; Leche to H.M. Legation, Managua, 17 June 1941, W7944/62/802, F.O. 371/28704.

²²⁵ Leche to Eden, 26 June 1941, W7944/62/802, F.O. 371/28704; Burkett to Labouchere, 13 June 1941, W7374/62/802, F.O. 371/28704; Leche to Eden, 3 June 1941, W6803/62/802, F.O. 371/28704; Young to Secretary of State for the Colonies, 12 June 1941, W7461/62/802, F.O. 371/28704.

²²⁶ Burkett to Labouchere, 13 June 1941, W7374/62/802, F.O. 371/28704.

seemed as concerned about speed as they had been at the meeting. Coupled with the “wait and see” attitude regarding American Export, this represented a lack of effort in London.

Meanwhile, in the Caribbean, Yerex encountered an outpost of resistance. In mid-June, Young reported that all of the governors had examined the draft agreement provided by BWIA and “unofficially” they had found no problems. However, just days later, the governor of Barbados reported that there was a “growing prejudice against Yerex’s service in certain influential quarters here.” The attorney general of Barbados was opposed to the agreement, citing various problems. Most notably, he belittled it as an arrangement with a “promoter” rather than an established company, and decried the provisions that would exclude the American and Dutch companies. Furthermore, he viewed it as a “one-sided affair” in which Yerex could alter the terms (i.e. in subsidies) while the island could affect not. By the end of June, the governor related that the opposition had become “more pronounced,” and that the attorney general might have the legislature behind him. While the governor had been able to prevent a public debate on this issue, he was very concerned that BWIA might not be able to get an agreement.²²⁷

Officials in London were incredulous. Labouchere commented that he found the objections to Yerex “singularly disturbing” because it appeared that the Barbadians had no interest in a British service, but were willing to let the Americans and Dutch dominate the field. He declared, “Barbados is behaving very unpatriotically.” In a discussion with W.J. Bigg of the Colonial Office, he expressed the hope that the Colonial Office would apply some form of pressure on the Barbadians. Bigg, he reported, was “shocked” at the idea, preferring to let the situation work itself out. Yet when the governor sent a letter in late June warning that Yerex’s proposals faced defeat, the Colonial Office sent a prompt reply rebuking the colonial leaders. It stated that there was only enough traffic for one service, and that the H.M.G. naturally wanted this to be a British service. Moreover, the

²²⁷ Young to Secretary of State for the Colonies, 12 June 1941, W7461/62/802, F.O. 371/28704; Sir J. Waddington (H.M. Governor, Barbados) to Secretary of State for the Colonies, 15 June 1941,

government had promised Yerex protection from “uneconomic competition,” and could hardly recant now. Of course, it would not agree to any deal that did not provide satisfactory service. The Colonial Office closed by warning against any debate until it had the opportunity to study the proposals. Labouchere gloated, “I am glad to know that [the Barbadians] have been rapped over the knuckles.”²²⁸

As for who was behind this opposition, the Foreign Office suspected Pan Am. This suspicion was not without cause. British officials knew that Pan Am representatives had been in the region seeking commercial rights, particularly in connection with the ADP. Pan Am had been pressing for use of a site in Trinidad, which the governor resolutely refused to give, claiming that the colonial government had designated the site for the future development of a government-owned airbase. He asserted that the site from which Pan Am already operated was adequate for the airline’s needs. However, officials in London, believing that the U.S. State Department was vitally interested in the Pan Am base proposal, cautioned that Pan Am might get the preferred site. Then, in mid-July, the British embassy in Washington reported that while the U.S. Navy would like to use the proposed Pan Am base, it did not need it because it was constructing one of its own on Trinidad. Halifax summed up the situation by stating that the “real pressure” for Pan Am’s proposed base came not from the U.S. Navy, but from the airline. Officials in London realized what was taking place. Pan Am clearly was promoting its own commercial interests under the pretext of U.S. defense. This so disgusted the Air Ministry that it declared that the British should reject Pan Am’s request. Officials in the Foreign Office shared this disgust. One noted that it was evident that the State Department had only become involved as part of “Mr. Trippe’s torturous ways of conducting a transaction.” Another fumed that he found it “unsatisfactory” that the department would

W7876/62/802, F.O. 371/28704; Waddington to Secretary of State for the Colonies, 30 June 1941, W8301/62/802, F.O. 371/28704.

²²⁸ minute by Labouchere, 30 June 1941, W7876/62/802, F.O. 371/28704; Secretary of State for the Colonies to Waddington, 4 July 1941, W8301/62/802, F.O. 371/28704; minute by Labouchere, 10 July 1941, W8301/62/802, F.O. 371/28704.

“assume that we are so blinded by gratitude that we can-as they say-be played for suckers.”²²⁹

Despite the disgust, the Foreign Office was not ready to slam the door in Pan Am’s face. While it was clear that the U.S. government had not initiated this request, it was also clear that the British had few grounds for rejecting it if they failed to build on the site. Moreover, if they could not construct a base, the next best thing was to get the Americans to perform the task and reserve commercial rights for British airlines. This was the best course of action to follow, one official argued, because there was no way that the British could compete openly with Pan Am in the West Indies. Yet the Foreign Office left it to the Colonial Office and Air Ministry to “thrash out” the issue. By August, the other two departments had done so, with both recommending the rejection of Pan Am’s request. Surprisingly, even after the embassy in Washington voiced concerns about the effect this might have on Anglo-American relations, the Foreign Office stood by the decision.²³⁰ Thus, Pan Am did not receive *carte blanche* in the Caribbean. However, the signs that the British were not ready to go toe-to-toe with Pan Am in their own colonies did not bode well for Yerex.

Meanwhile, Yerex continued to encounter obstacles from the British. Late in the summer of 1941, the Colonial Office received an estimate that the construction of landing fields for the initial routes would cost 75,000 pounds (about \$360,000). The office balked at such an expenditure “in present circumstances.” It was convinced that BWIA could use

²²⁹ minute by Perowne, 18 July 1941, W8658/62/802, F.O. 371/28705; Young to Secretary of State for the Colonies, 27 June 1941, W8491/62/802, F.O. 371/28705; Bigg to Under-Secretary of State, Air Ministry, 9 July 1941, W8491/62/802, F.O. 371/28705; Halifax to Eden, 12 July 1941, W8904/62/802, F.O. 371/28705; Burkett to Labouchere, 25 July 1941, W8904/62/802, F.O. 371/28705; minute by Labouchere, 23 July 1941, W8904/62/802, F.O. 371/28705; minute by [illeg.], 24 July 1941, W8904/62/802, F.O. 371/28705.

²³⁰ minute by J. Balfour, 26 July 1941, W8904/62/802, F.O. 371/28705; Colonial Office to Young, 28 July 1941, W9334/62/802, F.O. 371/28705; Young to Secretary of State for the Colonies, 8 August 1941, W9848/62/802, F.O. 371/28705; Calder to Under Secretary of State, Foreign Office, 18 August 1941, W10173/62/802, F.O. 371/28705; Burkett to Labouchere, 22 August 1941, W10440/62/802, F.O. 371/28706; Foreign Office to Halifax, 27 August 1941, W10440/62/802, F.O. 371/28706; Sir R.I. Campbell (H.M. Embassy, Washington) to Eden, 4 September 1941, W10858/62/802, F.O. 371/28706; Foreign Office to Washington Embassy, 9 September 1941, W10858/62/802, F.O. 371/28706.

seaplanes, which would eliminate the need for costly airfields. This was of particular importance with regard to smaller colonies that would have only enough traffic for an irregular service. The Colonial Office instructed its officials to ask Yerex about this possibility. Yerex replied that seaplanes were more expensive to maintain and carried less payload. Furthermore, one British official reported that many islands did not have suitable landing sites for seaplanes. Sir Frank Stockdale, the Comptroller for the West Indies, consulted both Pan Am and KLM regarding Yerex's claims, and found out that both airlines concurred.²³¹ Yet this would be another issue that would delay BWIA's development.

As summer gave way to fall, two questions loomed in every mind: what would be the fate of the American Export/TACA deal, and if it were to fall apart, what would be the fate of TACA? The State Department, despite its withdrawal from Guatemala, had not lost interest in the affair. In mid-February, Cabot repeated the news that Ubico was trying to convince the other Central American governments to get rid of TACA. The department promptly issued a dispatch to all Central American missions asking them to ascertain if this had been the case. The minister in El Salvador reported that officials there denied any such plot, and stated that even if the rumor had been true, the El Salvadoran government would have rejected the suggestion out of hand. The minister was confident that TACA faced no threat there. However, officials elsewhere verified the rumor. The minister in Nicaragua had Somoza confirm the report. He noted that the Nicaraguan dictator told his Guatemalan counterpart to "mind his own business." However, he also reported that the Nicaraguan National Guard had complaints about TACA, a fact that did not bode well for the airline. In Costa Rica, the minister reported that the Guatemalans had informed the Costa Rican government of its action. The Costa Ricans stated that the Guatemalans claimed that they did so because they wanted to prevent any effort on the part of the other

²³¹ Secretary of State for the Colonies to Sir Frank Stockdale (H.M. Comptroller, West Indies), 19 September 1941, W9945/62/802, F.O. 371/28705; Secretary of State for the Colonies to Young, 8 August

Central American nations to make representations on TACA's behalf. As in Nicaragua, TACA faced opposition in the Costa Rican government.²³² In all, TACA seemed to be in a precarious position.

The strain of the conflict was showing on its operations, according to U.S. sources. In mid-1941 the U.S. naval attaché in Guatemala reported that TACA was disintegrating. Morale in the ranks was low, with financial problems and a shortage of parts contributing to worsening maintenance standards. Yerex reportedly was quite upset with the State Department, asserting that it had been no help in Guatemala and was not pressing the CAB to approve the sale of his airline. His displeasure was not unfounded. The Americans could have protested more vigorously to the Guatemalans. But the department had not hung him out to dry, so to speak, with the CAB or in Central America. With regard to the former, the department continued to support the American Export deal. In July 1941, the department sent a letter to the CAB reiterating its support for the buyout. In fact, it was even willing to support TACA independently of American Export. In November 1941, when it seemed likely that the deal would fall through, the department sent a dispatch to the board supporting the issuance of a foreign carrier permit to TACA so that the airline could cross the canal.²³³ Still, Yerex' outburst revealed just how bad things must have been for him in mid-1941.

The department also continued to monitor Pan Am's activity closely, and took action against the airline on occasion. For one thing, it quickly disabused Pan Am of the idea that it could hire of Kennett. In May, the department received word from Guatemala that the local Pan Am agent had stated that Kennett was to head a local enterprise for Pan

1941, W9945/62/802, F.O. 371/28705; Stockdale to Secretary of State for the Colonies, 25 September 1941, W9945/62/802, F.O. 371/28705.

²³² Cabot to Hull, 15 February 1941, 814.796/159; Berle to U.S. Missions, Central America, 8 March 1941, 814.796/159; Frazer to Hull, 17 March 1941, 814.796/166; Baldwin to Hull, 19 March 1941, 814.796/167; Hornibrook to Hull, 22 March 1941, 814.796/168.

²³³ F.M. June (Naval Attaché, Guatemala) Report, 15 July 1941, 813.796 TACA/127; Erwin to U.S. State Department, 1 April 1941, 813.796 TACA/104; Welles to Duggan, 23 December 1940, 813.796 TACA/75; Berle to Harlee Branch (Civil Aeronautics Board), 15 July 1941, 813.796 TACA/118; Berle to Branch, 3 October 1941, 813.796 TACA/124.

Am. One department official, asserting that Kennett's reputation was bad both in the United States and in Central America, declared, "the question which arises is of course whether we feel we should bring any pressure to bear on the Pan American Airways or whether we should continue to allow that company to do as it pleases, which it seems to accomplish with considerable success." The department opted to put a halt to Pan Am's action, and Berle dispatched a letter to Trippe with the suggestion that Pan Am should give "due consideration" to Kennett's past and its effect on the interests of both the company and the U.S. government. Pan Am took the hint and announced that it would not make use of Kennett's services.²³⁴

What really upset the U.S. officials, however, was Pan Am's record in Guatemala after TACA left. In late May, the department received a report from Des Portes chronicling many problems with Aerovias Guatemala's service. The company was short on aircraft, and its pilots were very dissatisfied and trying to leave the country. Their airplanes were not suitable for landings on the small airstrips in the Peten, and over half the flights into the region were canceled. Chicle was piling up in the warehouses. Worse, this was the area in which Aerovias was concentrating its efforts. Service had become so poor elsewhere that the press was publicly criticizing the company and lamenting the passing of TACA. Officials in the department reacted to the news. One declared, "just what we feared has taken place: namely, now that TACA has been eliminated in that country, the service rendered by the local subsidiary of Pan American Airways is far from satisfactory. Further, no hope of improvement is held out." The Division of American Republics was particularly incensed, and drafted a letter to Trippe for Welles' signature. It stated that in light of the circumstances surrounding Aerovias Guatemala's antecedents, Pan Am had "assumed a very definite responsibility" in Guatemala. Failure to fulfill this "would have unfavorable repercussions for your company," and would provide fodder for "unfriendly interests" to discredit U.S. aviation's "good name." Welles did not send the

²³⁴ Ray to Satterthwaite, Bursley, Duggan, 15 May 1941, 814.796/175; Berle to Trippe, 18 June 1941,

letter, but discussed it with Trippe in person. Within days Pan Am officials were assuring the department that they had been unaware of the situation and would rectify matters.²³⁵

The State Department was not alone in its sympathy for TACA. At a meeting in May, various departments and agencies discussed the situation in Central America. Colonel Clayton Bissell of the War Department referred to Pan Am's activities in the region and the State Department's objections to them. Bissell suggested that if the CAB could not put a stop to such activities, perhaps the executive departments ought to pressure Congress to change the law so that it could. Both the State Department and Navy representatives echoed the laments of the War Department that the government to this point had been unable to check Pan Am's attack on TACA.²³⁶ Thus, while the State Department was taking the lead in dealing with the situation, TACA had broad-based support in the U.S. government.

Still, despite the department's efforts to support American Export/TACA and check Pan Am, the situation continued to worsen. In early June, the U.S. Senate rejected a proposed mail subsidy for American Export, placing the airline's overseas plans in jeopardy. Soon the State Department was receiving reports that American Export had lost its enthusiasm for TACA and might pull out on the deal. In mid-October, the department received word that the CAB was likely to nullify the agreement on the basis of a technicality. Now various executive departments began to waver in their support for the deal. The Navy, for example, now facing an imminent war, worried that American Export lacked experienced personnel and would fail miserably in international operations. In light of this, it wondered, why provoke a squabble with Pan Am, particularly in light of

814.796/175; Young to Berle, 19 June 1941, 814.796/177.

²³⁵ Des Portes to Hull, 31 May 1941, 814.796/176; Ray to Satterthwaite, Dawson, Bonsal, Duggan, 6 June 1941, 814.796/176; Welles to Trippe, 14 June 1941, 814.796/176; Welles to Duggan, 17 June 1941, 814.796/176; Bonsal to Duggan, Burke, 27 June 1941, 814.796/180.

²³⁶ Latchford, memo: "Determination of Civil Aeronautics Board of Basic Air Mail Rates to be Allowed American Air Carriers Operating in the Other American Republics," 8 May 1941, 810.796/173.

the worsening international situation?²³⁷ The American Export oasis was proving to be a mirage.

As a lasting union between American Export and TACA became increasingly unlikely, both the Americans and the British had to consider how they would deal with an independent TACA. In the United States, the sympathies of the State Department lay squarely with TACA. Many in the State Department now viewed the union with American Export as a tragic mistake. Thomas Burke noted that TACA had been a good service before the deal, only to become a “victim” in the American Export/Pan Am struggle. As the separation became increasingly inevitable, the State Department reconciled itself to an independent TACA. As noted above, it supported granting TACA a foreign carrier permit to cross the Panama Canal. In addition, there were various suggestions in the department for assisting TACA. To meet its needs for parts and supplies, some officials suggested that TACA receive a priority status for such materials from the War Department. Others even suggested that the United States grant the airline access to New Orleans so as to bolster it in the face of Pan Am’s competition. However, the dominant theme in the State Department was that Pan Am and TACA needed to end the fighting. Various officials argued that TACA was still valuable to regional security and that it would be best for U.S. interests if Yerex reached a truce with Pan Am. William Burden went a step further, asserting that TACA and Pan Am ought to strike a deal dividing (respectively) the feeder and international services. Some even proposed that Pan Am buy out TACA. Of course, U.S. officials realized that the primary obstacle to any such truce was Pan Am.²³⁸ Little came of these suggestions, which is hardly surprising in light of the bitter fight that had taken place. By and large, U.S. officials could only watch helplessly and wait for the end.

²³⁷ Edmund Wilson (U.S. Embassy, Panama) to U.S. State Department, 13 August 1941, 813.796 TACA/123; Latchford to Burke, 10 October 1941, 813.796 TACA/129.

²³⁸ Burke memo, 14 October 1941, 813.796 TACA/130; Cabot to Satterthwaite, Bonsal, 5 September 1941, 813.796 TACA/127; J.E. Saugstad (Division of International Communications) to Berle, 5 November 1941,

On the other side of the Atlantic, the impending freedom of TACA was posing old questions for new consideration. In late August, Leche fired off a letter to the Foreign Office about a discussion with Yerex. The latter had set forth three alternatives for TACA. One, he could reach a deal with Pan Am in which he would agree to refrain from expansion if it left him alone. While there was “money in this,” the idea held little appeal for him. Second, he could accept another offer from a different American company. Third, he could “raise the Union Jack,” which he preferred to do. Yerex had one month before the CAB’s decision on the American Export deal, so he needed an immediate response. In a bit of a jab at the British, he asked if BOAC was “wedded to Pan American Airways the world over” or whether it could support a British company in Central America. Leche, of course, recommended “positive moral and political support” for TACA.²³⁹

Officials in the Foreign Office did not like Leche’s message. As one put it, he did not like being “forced” to decide on an issue that lacked clarity. Specifically, the Foreign Office was unsure of TACA’s standing in the region, of Yerex’s aims in the region, of what H.M.G. wanted to do, and of what it could do. The office sent an immediate reply to Leche stating that it could not take action without “a much clearer idea of what is required.” It requested that Leche provide more specific information about Yerex’s proposals. Moreover, it wanted to have a clearer idea of TACA’s present position in Central America. The office pointed out that Leche had stated repeatedly that TACA was being undermined in Central America and that it might have to pull out of the region. The office asked, “are we to understand that the situation is now changed?” Finally, the office wanted to know what exactly Yerex required in terms of “moral and political support.”

813.796/131; Latchford to Burke, 10 October 1941, 813.796 TACA/129; Bonsal, Memo, 11 August 1941, 813.796 TACA/135.

²³⁹ Leche to Eden, 24 August 1941, W10430/62/802, F.O. 371/28706.

The British government, after all, was not prepared to sign a “blank check” for “unexplained undertakings.”²⁴⁰

Leche sent an immediate response. He frankly admitted that TACA was out of Guatemala, but asserted that the effort to oust it from Central America as a whole had failed. Moreover, while its finances had been precarious earlier in the year because of the loss of the chicle contract, they were much better now, with all liabilities paid or covered. Moreover, it had gained approval for rate increases in Costa Rica, and Pan Am had withdrawn its proposal for a local line there. Its current relations with the four Central American republics it served were “friendly.” Thus, the financial and political situations in Central America had changed sufficiently to negate any need for a “pull-out.” Moreover, it could carry on for at least two years with its present planes, and while it was short on parts, U.S. officials had recommended that it receive priority clearance for such materials. The U.S. Commander-in-Chief in the Caribbean had urged Yerex to speed up his development in the Indies, and Yerex had hopes that he could use U.S. bases in the region. In all, relations with the United States were good. As for his proposals, with his present resources Yerex could establish routes between, one Miami and Honduras via Belize, or, two, between Miami and Georgetown, British Guiana via the Lesser Antilles. He was also considering the establishment of a Canadian holding company to unify TACA and BWIA.²⁴¹

Labouchere claimed that this response still “mystified” him, but admitted that it seemed to contain some proposals. In looking these over, the Air Ministry stated that it could not support a service to the United States because of the “present agitation” amongst U.S. airlines, which resented the shortages of planes and materials that had resulted from the military build-up and the Lend-Lease program. Pearson composed a memo on TACA and its needs. In it, he noted that BOAC’s postwar focus would be on trunk routes, and that it would not develop local routes, unless “some other organization”

²⁴⁰ Foreign Office to Leche, 31 August 1941, W10430/62/802, F.O. 371/28706.

was to do so. He then stated, “I do not consider that an association with Yerex today would lead to any outstanding commercial advantages neither immediate nor post-war.” He acknowledged that it would improve British prestige in the region, but cautioned that the decision-makers would have to judge this benefit against the risk of upsetting the Americans. While the latter point is understandable, the former is inexplicable, particularly since Pearson gave no rationale for it. One possible explanation is that Pearson (and the Air Ministry as well) feared a rival service. There are no proverbial “smoking guns” for such a conclusion, but there are hints of such an attitude. For example, Perowne commented that he had been “astonished at the vehemence of the zest with which Sir A. Street said at the latest meeting [June 12] about TACA that it was materially utterly out of the question that anything from any quarter could be released for service with TACA.” Again, such comments are not definite proof, but suggest that the Air Ministry desperately wanted to contain TACA.²⁴²

However unclear Leche may have been, his latest dispatch prompted calls for a new interdepartmental meeting, which the Air Ministry dutifully called on October 9. Street was again chairing the session. He suggested that the meeting consider three questions. One, what was TACA’s present position in Central America? Two, what resources did Yerex have at his disposal? Three, was it in the British interest that the services that Leche proposed be started at this time? Street reiterated that he thought that a South American service was out of the question, and also related Pearson’s opinion that an association held little benefit for the British. Of course, he acknowledged, this stance raised the question of what Yerex would do if the British informed him of this opinion. Street’s subordinate, Francis Shelmerdine, quickly offered some answers. He believed that Yerex’s situation was not that good, as his equipment was old and he would have a difficult time selling the company. He had apparently hoped to “cash in” with the

²⁴¹ Leche to Foreign Office, 4 September 1941, W10860/62/802, F.O. 371/28706.

American Export deal, but this had fallen through. Speaking for the Foreign Office, Labouchere admitted that the situation was unclear, but stated that TACA's condition seemed to be improving. He recommended that an "independent expert" make contact with Yerex to discuss the matters at hand. As for whether the British should join forces with TACA, Labouchere acknowledged that this would mean competing with the Americans, but believed that U.S. concerns could be allayed. Both the Board of Trade and the Department of Overseas trade supported Yerex's plans for expansion, but the Ministry of Economic Warfare withdrew its support for this idea, stating that it wanted to avoid trouble with Pan Am. The Colonial Office stated that its main concern was the development of a West Indies service, and at a minimal cost. The outcome of the meeting was a decision that a deputy director of BOAC, who was then in New York, should arrange a meeting to talk with Yerex. Pearson, not wanting to get the New Zealander's hopes up, suggested that the pretext for the meeting be the BWIA seaplane issue.²⁴³ The parties present agreed to this, and the meeting adjourned.

This meeting had a peculiar air about it. The Air Ministry was quick to set forth its objections to Yerex, some of which were far from accurate. Shelmerdine's claim that Yerex would have a problem selling TACA is rather questionable in light of the fact that he had another American offer on hand. Furthermore, the implication that Yerex wanted to "cash out" and had no interest in reinvesting in aviation was completely unfounded. Yerex was clearly interested in expanding his network, and had made investments in BWIA. Furthermore, Leche had repeatedly stated that Yerex was not in the business for the money. While one might doubt Leche's assessment, there was nothing to indicate that he was incorrect. Moreover, the idea to invite Yerex to a meeting under a false pretense seems dubious. While this would avoid getting his hopes up, it would also leave him

²⁴² minute by Labouchere, 10 September 1941, W10860/62/802, F.O. 371/28706; Pearson, memo: "T.A.C.A.," 4 September 1941, AVIA 2, 2312 (Part II, 1939-40), AM; minute by Perowne, 21 August 1941, W10102/62/802, F.O. 371/28705.

rather unprepared to discuss the real issues at stake. Such behavior calls into question the motives behind the Air Ministry's approach to Yerex. Labouchere apparently had his doubts as well, for he urged that an "independent" agent meet with Yerex to discover what was happening on his end. The Foreign Office had been disappointed the year before when the Air Ministry canceled a face-to-face meeting with Yerex. Clearly, they wanted such a meeting to clarify matters. It is uncertain if a BOAC representative was sufficiently "independent," but at least it was better than nothing.

Of course, the need for an "independent expert" was due also to the increasing disdain the Foreign Office, and especially Labouchere, felt for Leche. By the late 1941, the office was not even bothering to distribute many of his dispatches to the other agencies. The office found much of the correspondence to be too voluminous, a fault that was magnified by the tendency of Leche to report every little incident, issue, and idea related to Yerex or TACA. To Foreign Office officials, it seemed that the airline and its founder dominated his thinking. By late 1941, Labouchere was openly mocking Leche, referring to Yerex as the "Eternal Theme" and "superman." When Leche claimed that Pan Am had dispatched agents to both Trinidad and Canada to ruin Yerex's reputation, Labouchere glibly commented, "the mental specialists have a name for it." Labouchere was not alone. Another official stated that Leche's correspondence regarding TACA "have been notably obscure [and] inconclusive." This official then quoted a poem: "If you'd teach a parrot, catch him young, When soft the mouth, and [unintelligible] the tongue, Old birds are fools, they dodder in their speech, More anxious to forget, than you to teach, They swear one curse, then gaze at you askance, and all oblivion thickens in their glance." Someone in the Foreign Office went so far as to sketch a parrot in the margin next to this poem--in an official government document! The Office was so

²⁴³ "Note of an inter-departmental meeting held in the Air Ministry on October 9th, 1941 to discuss the present position and the policies to be adopted with regard to T.A.C.A. airlines," 9 October 1941, W11651/62/802, F.O. 371/28706.

disturbed by Leche's verbosity that it sent him a dispatch urging more economy in his words.²⁴⁴

Unfortunately, Leche earned this reputation. As one examines the various British files on TACA, the amount of his correspondence regarding TACA is overwhelming. Much of it consists of the minister repeating his oft-stated belief that the British had to do something for Yerex or in relating unnecessary anecdotes about the most mundane occurrences with regard to Yerex. At times, his interest did seem to border on obsession. For example, in October 1941, he reported that a U.S. mission had just been to Guatemala. The only matter of interest he mentioned about its visit was that it had been disgusted with Pan Am's service and that TACA had saved the day with a charter flight. Of course, those at the Foreign Office would have appreciated some summary on what the mission was doing in Guatemala, a fact that Leche never even bothered to mention. In many ways, one cannot blame the Foreign Office for its exasperation with Leche. The problem is that this led it to all too readily reject anything Leche said. They dismissed many of his accounts of events in the region as exaggerated. Also, they believed that the Washington embassy was much more reliable for gauging U.S. attitudes toward TACA. However, U.S. reports confirm many of Leche's accounts, and while he overestimated the U.S. fondness for TACA, the Washington embassy clearly underestimated the conflict between Pan Am and the U.S. government. In essence, the Foreign Office failed to maintain a balanced perspective. Unfortunately, this imbalance on occasion led to some unfair treatment of Leche. For example, the Foreign Office used him as a conduit to Yerex regarding BWIA. However, on one occasion, when Leche stated something that the office did not appreciate, Labouchere declared that the British West Indies were not

²⁴⁴ minute by Labouchere, 4 November 1941, W12849/62/802, F.O. 371/28707; minute by Labouchere, 17 September 1941, A7192/7192/8, F.O. 371/25861; minute by Labouchere, 2 October 1941, W11763/62/802, F.O. 371/28706; minute by Perowne, 18 November 1941, A9086/236/8, F.O. 371/25828; Leche to Scott, 20 October 1941, A9086/236/8, F.O. 371/25828.

Leche's concern.²⁴⁵ Unfair or not, Leche clearly was of limited use to Yerex as an ally and link with Whitehall.

Yerex now had an opportunity to overcome this liability. On October 18, he met with Major McCrindle, Deputy-Director of BOAC in New York. McCrindle quickly cut to the chase and inquired about TACA's present situation. The following exchange was rather frank. Yerex explained that American Export wanted TACA only if it got a New Orleans to Central-America line. If it did not receive this from the CAB, it had an "understanding" with the board that the deal with TACA would be null and void. Yerex stated that unless the British government took "a strong line" with the State Department, Pan Am would force him out of Central America. He emphasized that he needed political, not financial backing. He had proposed to the Americans that he could incorporate his company in Canada, but they said this would not suffice. They would cut off fuel and parts, as they had with the German lines. He mentioned that Pan Am had informed him that if the deal fell through and if he agreed not to expand, it would discontinue its campaign against his airline. It even "hinted" that it might be interested in a one-third share in the airline. McCrindle responded to this by informing Yerex that the British were unlikely to take a strong line, especially since TACA was not technically a British company. If Yerex were to register it in British Honduras, this might strengthen his position vis-à-vis the British. However, McCrindle advised Yerex to cut the deal with Pan Am. From the British perspective, it would be better than the deal with American Export because Yerex would still retain control. Yerex replied that he would need to know what the British would do before the CAB made its final decision about the American Export deal. After all, if the CAB rejected it, his bargaining position vis-à-vis Pan Am would be much weaker. Following this meeting, McCrindle commented that Yerex "struck me as

²⁴⁵ Leche to Eden, 4 October 1941, W12849/62/802, F.O. 371/28707; minute by Labouchere, 4 November 1941, W12849/62/802, F.O. 371/28707; minute by Labouchere, 18 October 1941, W12130/62/802, F.O. 371/28706.

being level headed and genuine in his desire to operate his services under the British flag.”²⁴⁶ Once again, Yerex had impressed in a personal meeting.

Soon after this meeting, the Foreign Office received a dispatch from Leche about TACA’s position in Central America. Yerex had informed him that the commanding officer in the Canal Zone had invited TACA to operate over the Canal, and that it looked “hopeful” that the CAB would approve this. Moreover, the War Department wanted BWIA operating in the Caribbean. Yet he also had learned that the U.S. government would not support a British line in Central America, and that the State, War and Navy departments had agreed that they would not officially support any competitors for Pan Am for the duration of the war. He had talked with Pan Am, and had offers from two different groups of stockholders in the airline. One wanted a minority interest in TACA, an idea that he found appealing, and the other wanted 50% of the airline, which he did not like. He told Leche he wanted “to do the right thing from the patriotic point of view.”²⁴⁷

Leche responded with a memo to Yerex. He advised him (unofficially) that while the airline was on solid footing at the present time, it was vulnerable to another attack by Pan Am because of its ambiguous position as being British-owned but Panamanian-registered, and because of Pan Am’s financial might and ruthless nature. Thus, TACA had to reach some accommodation with Pan Am. At the present, the British government could not support it, and the American government would not. However, after the war, the British could be more assertive, and their commercial interests in Latin America would revive. TACA, coupled with BWIA, could form the nucleus of a future international service. At present, however, Yerex had five options. One, he could “raise the British flag,” two, sell out completely to the Americans, three, sell a controlling interest to the Americans, four, sell a minority interest to the Americans, or, five, continue

²⁴⁶ Major McCrindle (Deputy Director, B.O.A.C.), “Note on a meeting with Mr. Lowell Yerex. New York, 18th October,” 4 November 1941, W13564/62/802, F.O. 371/28707; J.H. Riddoch (Air Ministry) to Labouchere, 12 November 1941, W13564/62/802, F.O. 371/28707.

²⁴⁷ minute by Labouchere, 30 October 1941, W14121/62/802, F.O. 371/28707; Leche to Eden, 24 October 1941, W14121/62/802, F.O. 371/28707.

in his present status. Option one was “unfortunately” out of the question, while two and three were “regrettable” from the British point of view. Option five would be the ideal, but it was admittedly risky, as it would leave TACA open to Pan Am attack. Still, if Yerex was not openly British, the U.S. government might be “benevolently neutral,” as the service departments were favorable to TACA and the State Department was upset with Pan Am and scrutinizing its operations closely. This would also allow TACA to function as a nucleus for future British international operations in the hemisphere, and as a bargaining chip in future negotiations with the Americans. Yet it would also require that TACA cooperate closely with Pan Am so as to avoid conflict. This need might become so pressing that TACA would have to take option four, which would be “extremely satisfactory.” It would allow TACA to remain British, yet end Pan Am’s opposition. In closing, Leche urged Yerex to focus his attention on BWIA²⁴⁸

When he read Leche’s report, Labouchere declared, “for once a reasonable account of Taca developments.” It is little wonder that Labouchere had something pleasant to say since Leche’s advice largely conformed to what officials in Whitehall were saying. The Air Ministry believed that it would be better for Yerex to focus his attention on the British West Indies, as Central America “is not a good field for us to enter the lists of American air interests at any time, and with P.A.A. in particular.” If Pan Am officials decided to crush TACA in Central America, it would be “difficult to dissuade them from it.” However, the ministry did think the British could go so far as to inform the State Department that the British hoped that the U.S. government would not “countenance” such action. In the end, however, the best option was to have Pan Am acquire a one-third interest in the company, which it might be very willing to do in light of the fact that its Guatemalan subsidiary was a “flop.” Regarding Yerex’s desire for immediate British support, the government simply could not offer this, as it likely would prompt a renewed Pan Am assault on TACA. Moreover, Pan Am would have plenty of

²⁴⁸ Leche, “Memo for Mr. Yerex,” 24 October 1941, W14121/62/802, F.O. 371/28707.

fodder, as American airlines were sacrificing their operations for the sake of Lend-Lease demands.²⁴⁹

The Foreign Office concurred with much of what the Air Ministry said. As Perowne stated, “Irritating as it may be to have to give way to P.A.A. (who are not I imagine helping our war effort any more than it happens to suit them to do so) I agree that we cannot afford diplomatic support to Yerex as suggested.” Yerex would best serve his and British interests by focusing on BWIA, which might be able to expand later. In late November, the Foreign Office informed the Washington Embassy that it favored this course of action.²⁵⁰

In December 1941, only days before Pearl Harbor, the CAB nullified the sale of TACA to American Export. It did so on the basis of a legal challenge by Pan Am, which claimed that American Export Airline’s ownership by the American Export shipping conglomerate disqualified it from operating air services. Specifically, Pan Am argued that under the provisions of the Civil Aeronautics Act of 1938, no shipping company could own an airline, and therefore American Export could not engage in international airline operations. The CAB agreed, and thus killed the American Export/TACA arrangement. In the end, Pan Am’s legal campaign proved to be the coup de grace for a floundering union that neither party wanted.²⁵¹

The demise of the American Export/TACA union left Yerex on the outside, with American diplomats once again regarding TACA as British. Yerex emerged from the affairs with scars. He certainly had some bitterness toward the Americans, who had proven an unreliable source of relief. He must have wondered about the British as well. They had urged a shift toward the British West Indies, yet here too they appeared to be

²⁴⁹ minute by Burkett to DGCA, 11 November 1941, AVIA 2/2312 (Part III, 1941-43), AM; William Hildred (Air Ministry) to Labouchere, 15 November 1941, W13708/62/802, F.O. 371/28707.

²⁵⁰ minute by Perowne, 21 November 1941, W13708/62/802, F.O. 371/28707; Foreign Office to British Embassy, Washington, 26 November 1941, W13708/62/802, F.O. 371/28707.

²⁵¹ Davies, *Airlines of Latin America*, 132; “Proceedings of the Civil Aeronautics Board Held at its office in Washington, D.C., on December 4, 1941,” 4 December 1941, vol. 18, *Records of the Civil Aeronautics Board and its Predecessors*, Record Group 197.

ineffective and slow. Still, he had come close to pulling off the unthinkable: allying himself with both camps. He had nearly made TACA American, and he was developing BWIA as a British line. Moreover, he had respect on both sides of the Atlantic. Whatever the restraints upon their policy, the two sides admired and wanted his services. Never again would he enjoy such a reputation, one with little or no taint on both sides. A storm was brewing, however, and changes were coming. One would have to choose sides. It would not be a time to remain a man without a country.

CHAPTER SIX: THE INDEPENDENT AGENT, 1942-43

The demise of the American Export deal provides a convenient “break” in this story. It was also, quite coincidentally, a well-timed break in that it preceded Pearl Harbor by only three days. The events that followed the Japanese attack wrought great changes for commercial aviation. Notable advancements in transport aviation occurred. Like combat aircraft, transport aircraft benefited from technological advances that greatly increased their speed, range and reliability. These enhancements permitted a tremendous expansion in the scope and frequency of transport operations around the globe. Transport aircraft flew over the “Hump” in the Himalayas, the deserts of Africa, and the oceans of the world. Thousands of men and women learned to fly, and many more trained to support such operations on the ground. In the process, services that before the war would have seemed far-fetched suddenly became routine. As nations looked to the postwar period, commercial aviation seemed to hold great promise.

Closer to home, the war created opportunities within the hemisphere. With the United States in the war, German U-boats were free to ravage the waters of the Caribbean, making ocean travel increasingly dangerous and, coupled with the demands of the war effort, increasingly unavailable. As a result, air travel became the only safe and reliable means of travel for diplomats, businessmen, and other important figures. Moreover, the Allied military relied increasingly on air transport to carry men, munitions, and supplies to the front, providing more opportunities for air transport companies.

Thus, Lowell Yerex suddenly received a blessing in the wake of the American Export disaster. The war provided plenty of business for his airlines and allowed him to expand them in ways he might never have dreamed previously. Yet he was handling a

two-edged sword. Just as the war increased opportunities, it also limited options. As the air transport industry made great strides during the conflict, its importance to the postwar world became apparent to all. They say gold turns friends against each other. In this instance, commercial aviation divided even the closest of allies. As the war progressed, the British and Americans viewed each other with increasing suspicion, certain that the other was seeking an advantage in the postwar commercial race that was likely to ensue. As the battle lines between the two allies became more defined, it became less possible to stand in the middle. Individuals like Yerex could not create a middle ground, because they were standing in no-man's-land. Despite this, Yerex tried to hold his position. Unfortunately, this would make him the object of suspicion on both sides of the Atlantic. By the end of 1943, his appeal for either the Americans or the British had diminished greatly.

With the demise of the American Export/TACA union and the coming of war to the hemisphere, the "air war" in Central America cooled. This was due to two factors. First, with American Export out of the picture, TACA represented a much smaller threat to Pan Am, and thus the latter's hostility toward the former decreased considerably. Second, as the war increased the demand for air transport, Pan Am simply became too busy. As in the mid-1930s, it had bigger fish to fry than TACA. For TACA this respite would prove helpful, as would the war. Whereas its business figures had dropped noticeably during 1941 (due to the Guatemala fiasco), they recovered quickly in 1942. In 1940, TACA had flown 2.3 million miles, with a "ton-miles" total of 1.7 million. The numbers for 1941 dropped to 2 million miles flown and 1.5 million ton-miles. By 1942, however, the numbers had climbed to 2.2 million miles flown, and 1.8 million ton-miles.²⁵²

²⁵² "Route Miles, Frequency and Total Traffic," Table III, p. 18, "Air Transportation in Latin America-Part 3," *General Records of the Department of Commerce Office of the Secretary: Subject Files-W.A.M. Burden*, Record Group 40, Box 29.

Business was booming, but there remained unfinished business: who would have TACA? The Americans still wanted the airline. In January officials from the “service departments” (War and Navy) encouraged Yerex to reconstitute his company as an American-owned enterprise, telling him that they could do “much more” to help him if he did so. Yerex carried on his negotiations with one Pan Am group through March 1942, but it insisted on having 60% of both TACA and B.W.I.A, a demand Yerex repeatedly refused. He concluded that Pan Am was determined to have a world monopoly and that further negotiations were useless. He remained in contact with another Pan Am group, but decided that it would be better to carry on alone.²⁵³

Going it alone at this juncture was hardly out of the question. The war was fostering a boom in air transport, and Yerex benefited. TACA received war contracts and profited from the general rise in demand for air transport. Tiny BWIA grew rapidly when U.S. military forces in Trinidad began chartering flights between Trinidad and Miami during the first half of 1942. In June, TACA began operating a charter service to Miami as well, although its permit only allowed it to transport parts for its use.²⁵⁴

Apparently there was some miscommunication, or else TACA ignored the restrictions, for it began carrying passengers on these flights. In fact, Leche reported that the airline had booked its flights full for weeks in advance. The U.S. Civil Aeronautics Authority immediately discovered this and ordered a halt to these flights on the grounds that TACA had violated its charter permit. One U.S. official in Central America came to TACA’s defense, explaining that the airline had performed this service, one, to help cover the costs of the flights and, two, to help relieve the desperate shortage of transport

²⁵³ Halifax to Eden, 26 January 1942, W1364/707/802, F.O. 371/32371; Gooden (H.M. Legation, Managua) to Eden, 23 March 1942, W4627/707/802, F.O. 371/32371.

²⁵⁴ Trinidad to Secretary of State for the Colonies, 2 June 1942, W8170/707/802, F.O. 371/32371; Leche to Eden, 13 June 1942, W8666/707/802, F.O. 371/32371; Hull to Erwin, 22 June 1942, 813.796 TACA/145.

between the United States and Central America. This rationale, however, did not mitigate the stance of the CAA.²⁵⁵

The State Department soon received numerous complaints about the CAA's action. The president of Costa Rica told the U.S. ambassador in his country that Pan Am could not handle the traffic demand in Central America; because of this, he argued, the United States should allow TACA to transport passengers to Miami. The El Salvadoran ambassador to the United States "begged" Hull to affect a change in the CAA's stance. U.S. officials in the region chimed in with their support. A note from the U.S. embassy in Honduras gloomily predicted that the cancellation of TACA's service would create "hardship" in that country.²⁵⁶

The standard response of the State Department to these complaints was that it would pass them along to the CAB, which was responsible for such matters. Yet under this surface of diplomatic reserve a storm was brewing. The department was committed to supporting American airlines and did not relish the idea of aiding a "foreign" competitor. However, some officials believed that the department could modify its stance in light of the contingencies of war. The result of these conflicting desires was a debate in which Yerex, TACA, and "Americanization" were the catalysts. On one side was Burke, whose earlier sympathy for Yerex had given way to suspicion. He did not want to allow the British in the American door, and he now viewed the New Zealander as the proverbial foot. On the other side were the officials in the Division of American Republics, who were sympathetic to the needs of Central America, and Berle, whose primary concern was to challenge Pan Am's dominance. These two parties were much more willing to allow TACA access to Miami. In the following months these divergent interests would produce a furious debate.

²⁵⁵ Hull to Erwin, 22 June 1942, 813.796 TACA/145; Erwin to Hull, 17 June 1942, 813.796 TACA/146; Yerex, 140.

²⁵⁶ Robert M. Scotten (U.S. Minister, Costa Rica) to the U.S. State Department, 24 June 1942, 813.796 TACA/147; C.A. Alfaro (El Salvadoran Ambassador to the United States) to Hull, 16 July 1942, 813.796 TACA/149; Erwin to Hull, 17 June 1942, 813.796 TACA/145.

When the CAA halted TACA's flights into Miami, Berle decided to ask the CAB to grant Yerex's airline "temporary" access to the United States.²⁵⁷ He composed a letter to this effect and circulated it throughout the State Department for consideration. Burke promptly objected, declaring that this would give Pan Am good reason to complain that the government was supporting a foreign carrier against its "own" airline. He argued that the Central Americans would have to live with the transportation shortage, as the "availability" of TACA and BWIA did not justify issuing a permit that the United States might later regret. These protests did not sway Berle, who sent the letter to the board. In a memo to Burke, he declared that there had been enough discussion about the matter and that the time for action was at hand. In the margins of this memo Burke penciled a note stating that the debate had been insufficient. He clearly resented what he perceived to be an arbitrary decision by Berle.²⁵⁸ The feud was heating up.

Burke's suspicions of Yerex and TACA were due in part to BWIA Yerex had expanded its operations greatly during the first half of 1942, as evidenced by his charter operations into Miami. To Burke, this activity clearly demonstrated that Yerex was a British instrument. However, Burke was not privy to what was taking place behind the scenes in the British West Indies. Had he been, he would have discovered that Yerex was operating independently. The British did not support his broader plans, and in fact were proving to be a hindrance to his local operations as well.

The British were rather troublesome on a variety of issues, including seaplanes and airfields. Despite the fact that Yerex had explained the difficulties with operating seaplanes, and that British officials in the region had confirmed his assessments with Pan

²⁵⁷ The CAA was a branch of the Commerce Department, and held authority over such matters as flying regulations, safety standards, and charter flights. The CAB, on the other hand, was an independent regulatory body, and it oversaw regular airline operations (i.e. routes). In effect, what Berle was trying to do was circumvent the CAA's restrictions on TACA's flights by getting the CAB to grant it a permit to operate as a regular airline service.

²⁵⁸ Hull to Jefferson Caffery (U.S. Ambassador, Brazil), 23 October 1942, 813.796 TACA/185; Berle to L. Welch Pogue (Chairman, Civil Aeronautics Board), 25 June 1942, 813.796 TACA/171; Burke to Berle, 2 July 1942, 813.796 TACA/171; Burke to Berle, 17 July 1942, 813.796 TACA/151; Berle to Burke, 24 July 1942, 813.796 TACA/178.

Am and KLM, the Colonial Office continued to balk at the cost of the airfields and insist on seaplanes. In fact, Yerex had to reiterate his objections to using the aircraft in his meeting with McCrindle. He also mentioned that he could cut the cost of building the airfields with certain economies. For example, he asserted that one runway would suffice on many of the islands, since the winds always ran from east to west. In November, the Air Ministry informed the Colonial Office that there was “no reason to doubt his conclusion” that landplanes were better. Only in mid-December did the Colonial Office relent and agree to the construction of airfields. However, it mandated that the interested parties would have to apply for a Colonial Development grant to finance construction. This entailed further delays. By March of 1942, Leche reported, Yerex was becoming “disgruntled.” He was maintaining two planes, their crews, and a ground engineer in Trinidad, at great cost to himself, but he had been unable to start work on the airfields. Cost was not the only concern. The rainy season was due to begin in June, and the work needed to be done by then or there would be further delay.²⁵⁹ Despite the urgency of the situation, it would be many months before construction would begin.

This was not the only obstacle Yerex had to face with regard to facilities. He also wanted to construct a wireless station in Trinidad for BWIA, and applied for a permit in mid-1941. The Colonial Office objected, arguing that the station would hamper censorship measures and add to radio traffic. Moreover, it had given Pan Am a permit to operate a wireless facility on Trinidad. In exchange, Pan Am was to handle all of the colony’s wireless communications needs. In light of the exclusive nature of the Pan Am permit, the Colonial Office doubted whether it could allow Yerex to construct a facility. It suggested that he might use Pan Am’s facilities. He rejected this idea, probably because

²⁵⁹ McCrindle, “Note on a meeting with Mr. Lowell Yerex. New York, 18th October,” 4 November 1941, W13564/62/802, F.O. 371/28707; Hildred to Bigg, 15 November 1941, W13708/62/802, F.O. 371/28707; Secretary of State for the Colonies to Stockdale, 12 December 1941, W15266/62/802, F.O. 371/28707; Lyall (H.M. Legation, San Jose) to Eden, 21 March 1942, W4492/707/802, F.O. 371/32371; Stockdale to Secretary of State for the Colonies, 17 March 1942, W4859/707/802, F.O. 371/32371; Secretary of State for the Colonies to Governors in Trinidad, Barbados, Leeward Islands, Windward Islands, 30 March 1942, W2476/707/802, F.O. 371/32371.

he regarded any Pan Am assistance for his operation with suspicion. However, he also had a more substantive reason. His airplanes used voice systems for long-range communication, while Pan Am's did not. Thus, Pan Am's transmitters were not powerful enough to provide BWIA's planes with the directional guidance and ground communication they needed. British authorities in Trinidad related this point to the Colonial Office in September of 1941, but the office did not relent until February 1942, and then only with great hesitation. There was apparently some delay in informing Yerex, for Leche complained in mid-March that Yerex was upset by the lack of a permit for a wireless station. The fact that Pan Am could operate such a facility while Yerex could not shocked the Foreign Office, but the Colonial Office emphasized that it was not favoring Pan Am over Yerex. It gave Yerex his permit, and he began erecting the facilities in late March.²⁶⁰

Yerex's greatest difficulty with the British, however, concerned the scope of BWIA's operations. He envisioned an operation that covered the Caribbean and connected North and South America, while they wanted a small and inconspicuous service that linked their West Indian possessions. Such disparate aims were certain to clash. In February 1942 Leche set forth proposals for a grandiose scheme. He informed London that the U.S. minister to Guatemala had told him that the State Department was surprised that the British had not asked for reciprocal landing rights in the United States since Pan Am was operating in the West Indies. According to Leche, none of the departments in Washington felt they could oppose such a request and would likely grant it out of a sense of fairness and alliance. Moreover, Pan Am posed little threat since it had

²⁶⁰ Young to Secretary of State for the Colonies, 8 September 1941, W4709/707/802, F.O. 371/32371; Officer Administering the Government, Trinidad, to Secretary of State for the Colonies, 26 September 1941, W4709/707/802, F.O. 371/32372; Young to Secretary of State for the Colonies, 13 December 1941, W4709/707/802, F.O. 371/32371; Secretary of State for the Colonies to Young, 6 February 1942, W2624/707/802, F.O. 371/32371; minute by Callander, 2 March 1942, W2624/707/802, F.O. 371/32371; Secretary of State for the Colonies to Young, 6 February 1942, W2624/707/802, F.O. 371/32371; Lyall to Eden, 21 March 1942, W4492/707/802, F.O. 371/32371; Labouchere to Calder, 18 March 1942, W2624/707/802, F.O. 371/32371; Bigg to Labouchere, 24 March 1942, W4709/707/802, F.O. 371/32371; Foreign Office to Leche, 1 April 1942, W4709/707/802, F.O. 371/32371.

few friends left in Washington because of its antics. Leche urged the British to explore this avenue, asserting that they could build an airline from South America to Canada via the Indies and the United States. Later that month Yerex proposed the first step for such a network. In a meeting with the governor of Trinidad, he asked what the British would do if he applied to the CAB for a permit to operate between Trinidad and Miami. He mentioned that he could not understand why Pan Am could operate in the British West Indies if he could not operate in Miami. Yerex was not just looking to the north, either. In March TACA submitted a proposal to the Ecuadorian government to operate a local service in that country. The British Minister in Quito strongly supported TACA.²⁶¹

Some officials in Whitehall were intrigued. Perowne of the Foreign Office admitted that if “the gossip is really as good as suggested here,” it might be worth exploring the possibilities. He astutely noted that Yerex’s plans were intimately connected to the greater issue of British rights to operate such a service, and commented that while the British might be unable to start one at present, it might be wise to secure their rights for future use. In fact, the embassy in Washington, while acknowledging that the service would not be essential to the war effort, stated that it would be worthwhile to broach the matter with U.S. authorities.²⁶²

Yet the overwhelming response in Whitehall to Yerex’s plans was negative. Labouchere emphasized that the various departments had considered this issue “exhaustively” and had concluded that it would do little good to encourage a venture that the government was not in a position to support. The Air Ministry agreed, declaring that the government wanted Yerex to concentrate on the British West Indies. It noted that the embassy in Washington itself had stated that the United States likely would oppose any other efforts. It acknowledged that a service between the West Indies and Canada might

²⁶¹ Leche to Eden, 1 February 1942, W1604/707/802, F.O. 371/32371; Young to Secretary of State for the Colonies, 16 February 1942, W2793/707/802, F.O. 371/32371; Hughes-Hallett (H.M. Minister, Ecuador) to Eden, 26 March 1942, W4757/707/802, F.O. 371/32371; Leche to Hughes-Hallett, 31 March 1942, W5844/707/802, F.O. 371/32371.

be worth considering, but emphasized that any such effort would be “an academic study” at best. Moreover, it was a bad time to approach the Americans for reciprocity since the Americans had not asked for more facilities in the Caribbean. The Colonial Office believed that in light of the scarcity of aviation resources, it would be unwise to press for such a service. It took the liberty of informing the governor of Trinidad that the British government would not approach the Americans about the issue and did not support any operations outside the Lesser Antilles.²⁶³

Meanwhile, the Foreign Office moved to contain the expansion elsewhere. It informed the minister in Quito that the British were not in a position to support TACA. It advised him to, in the words of one Foreign Office official, “soft pedal” his support for Yerex. Of course, the main problem was Leche. He was encouraging his colleague in Ecuador to go “full steam ahead” for Yerex, whom he was encouraging to pursue courses of action “where he will only come to grief.” Labouchere intoned, “I think it time that a stop is put to this interminable spate of his.” Yet, he grumbled, it would be no use to provide the minister with a “reasoned explanation.” The Foreign Office had done so “scores of times and it has only called forth a flood of telegrams.” Still, he recommended that the Foreign Office inform Leche about the Colonial Office’s stance and reiterate that the war effort prohibited any British assistance for such a service. He hoped that this might slow the minister.²⁶⁴

For Yerex, the message was simple: the British government would not support his quest for a Miami service. He was, according to Leche, “disappointed” by this stance. However, if the British thought that this would stop him, they were mistaken. Yerex

²⁶² minute by Perowne, 19 February 1942, W1604/707/802, F.O. 371/32371; Halifax to Eden, 15 March 1942, W4078/707/802, F.O. 371/32371.

²⁶³ Burkett to Labouchere, 9 February 1942, W2791/707/802, F.O. 371/32371; Riddoch to Labouchere, 1 April 1942, W5083/707/802, F.O. 371/32371; Secretary of State for the Colonies to Young, 27 February 1942, W3291/707/802, F.O. 371/32371.

²⁶⁴ Foreign Office to Hughes-Hallett, 23 April 1942, W5844/707/802, F.O. 371/32371; minute [no name], [no date], W5844/707/802, F.O. 371/32371; minute by Labouchere, 6 March 1942, W3291/707/802, F.O. 371/32371; minute by Labouchere, 26 June 1942, W8879/707/802, F.O. 371/32371.

applied to the U.S. Civil Aeronautics Board for the desired permit. The move, in the words of Yerex's nephew, "horrified" the British.²⁶⁵

It was at this time, mid-1942, that Yerex's plans became entangled with other Anglo-American issues. Much as the British had feared, the Americans had taken notice of Yerex's expansion and became suspicious about it. Moreover, they began to pay closer attention to his operations, including those in the British West Indies. Their concern was simply to protect Pan Am's operations in the region. For their part, the British, while not wanting to cross the Americans, considered the British West Indies to be their responsibility and not subject to U.S. oversight. They resented American interference in matters concerning BWIA and feared that Pan Am might entrench itself in the region if it had the chance. Thus the British and the Americans exchanged blows over the West Indies. At the heart of these exchanges was Yerex.

By April 1942 Yerex had submitted a draft agreement to the various governors in the Caribbean. The Colonial Office, upon examining the agreement, pronounced it "satisfactory," but sought two amendments. One, it wanted to drop a provision that gave BWIA exclusive operating rights within the British West Indies. The Colonial Office did not want to hamper Pan Am's established services, so it recommended that BWIA receive an exclusive right to subsidies instead. In essence, Pan Am could continue its services, but only BWIA could get subsidies from the local governments. Two, the Colonial Office wanted to change the provision that the agreement be in effect for ten years, with the company holding the right to unilaterally renew it for five more. The Colonial Office thought fifteen years to be "too long" a commitment, and suggested the government have the right to renewal. Subject to these amendments, the Colonial Office had no objection to executing the agreement.²⁶⁶

²⁶⁵ Yerex, 140; Lyall to Eden, 21 March 1942, W4492/707/802, F.O. 371/32371.

²⁶⁶ Bigg to Burkett, 4 May 1942, W6761/707/802, F.O. 371/32371; Secretary of State for the Colonies to Sir Bede Clifford (H.M. Governor, Trinidad), no date, W9182/707/802, F.O. 371/32371.

The objections came from the Caribbean and more specifically, from Barbados. The other colonies had responded favorably to the proposed agreement, and were ready to proceed. However, the new governor in Barbados, Sir G. Bushe, reported that the executive council (which included the attorney general) “unanimously refused” to support the deal, ostensibly on the grounds of being opposed in principle to the granting of a monopoly to BWIA. When the governor pointed out that the other colonies supported it, the council disparaged them, claiming that they were “constrained from Downing Street.” Bushe had submitted the proposed agreement to the Barbadian legislature and made a strong speech in its favor. Despite his arguments, however, the legislative committee considering the proposal came out against it. The majority of its members stated that the agreement was not in the best interests of the empire or Barbados. They argued that the agreement would not stop Pan Am from calling at other colonies, such as Trinidad, and thus would deny only Barbados the benefits of such service. They also asserted that the British government could not prevent Pan Am from calling at Barbados, and declared that the airlines of “friendly and allied nations” should receive encouragement to do so. In the wake of this opinion, Bushe warned the Colonial Office that the legislature was likely to defeat the BWIA proposal.²⁶⁷

For once, the British government was ready to go ahead despite such obstacles. It notified the governor at Trinidad that Yerex could proceed with his preparations to execute the agreement (including building his long-desired airfields) as long as he was willing to do so without Barbados. Yerex agreed and began establishing BWIA’s services throughout the British West Indies.²⁶⁸

Despite this “go-ahead,” BWIA faced new entanglements over its expansion and its contract. As noted, Yerex had applied for Miami landing rights. To add further to the

²⁶⁷ Bushe to Secretary of State for the Colonies, 18 April 1942, W6761/707/802, F.O. 371/32371; Bushe to Secretary of State for the Colonies, 8 May 1942, W4709/707/802, F.O. 371/32371; Bushe to Secretary of State for the Colonies, 22 June 1942, W4709/707/802, F.O. 371/32371.

²⁶⁸ Secretary of State for the Colonies to Stockdale, 2 May 1942, W6761/707/802, F.O. 371/32371; Stockdale to Secretary of State for the Colonies, 12 May 1942, W6761/707/802, F.O. 371/32371.

concerns in Whitehall, there were now reports that he was operating a service between Brazil and Miami in BWIA's name, carrying such vital war materials as industrial diamonds. Meanwhile, Leche had not discontinued his advocacy. He now suggested that the British might provide BWIA with political and moral support for its Miami application. Worse, the embassy in Washington supported Leche, declaring that it saw no reason for objecting to such a course of action since BWIA, unlike TACA, was British.²⁶⁹

The Foreign Office remained resolute in its opposition to BWIA's extension to Miami. While Labouchere admitted that the new service was contributing to the war effort and that BWIA was British, he argued that neither point mitigated the British desire to avoid a clash with Pan Am. As another official, L.E. Steele, put it, while Yerex's "persistence" was admirable, his plans were "out of place against the general background of civil air relations with the U.S. at the present moment." After all, how could the British "block" Pan Am from inundating their empire if they were "muscling in ourselves in the U.S. private area in the Caribbean?" The Americans might allow Yerex in and then demand reciprocity later. Thus, Steele concluded, it would be best to give a "flat and uncompromising reply" against such suggestions. The Air Ministry and the Colonial Office backed the Foreign Office. The Air Ministry stated that it simply could not compete with Pan Am in the Caribbean while cooperating with it in other areas of the world. This would create difficulties with the American chosen instrument and open the British to criticism in the United States. Thus, the ministry would not support Yerex's "ambition" outside the British West Indies. It would not object to his charter flights, which it considered a "side-line," but regularly scheduled services were out of the question. They might be acceptable under "normal" conditions, but considering the war and Anglo-American relations, they were not possible at this juncture. The ministry also pointed out that colonial officials were not seeking such a service. The Colonial Office objected on the grounds that Yerex's initiative might raise problems with the United

²⁶⁹ minute by Labouchere, 28 May 1942, W7782/707/802, F.O. 371/32371; minute by Labouchere, 2 July

States and invite a U.S. demand for reciprocity in the British West Indies, which might undermine its plans for BWIA²⁷⁰ In essence, all wanted to limit BWIA to the British West Indies.

Much of the displeasure in Whitehall resulted from confusion over the extent and aims of BWIA's operations. The Foreign Office became concerned when it received a letter from Yerex referring to BWIA's service between Trinidad and Miami. Labouchere asserted that this service was not part of BWIA, which was to operate only in the colonies. It was, he declared, Yerex's "private venture." In fact, he became incensed with Leche and Campbell for "that tiresome and misleading custom of referring to Mr. Yerex's proposed service to Miami as an extension of BWIA" Part of Whitehall's problem was that until BWIA's operating contract received official approval, the airline was not yet formally incorporated. At the moment, Yerex was running it on an ad hoc basis. He used TACA planes and personnel to operate BWIA's services, as well as his own money. Moreover, both were involved in charter flights to Miami. As the Air Ministry commented, it was difficult to discern where TACA ended and BWIA began. The problem with this, the ministry noted, was twofold. One, if Yerex ever sold TACA to U.S. interests, BWIA might fall under American influence. Two, it was clear that the British could not impose their vision for BWIA on Yerex. One official lamented,

There are such opportunities for making money by running transport aircraft where they are most wanted that Yerex is already showing signs of wanting to divert the aircraft that he has earmarked for the inter-island service in the West Indies to more lucrative fields.

Another commented that it was "clear that Yerex's ambitions will grow more intense as he finds himself able to take temporary advantage of P.A.A.'s difficulties in regard to equipment." Yet while the British had no "enthusiasm" for these ambitions, they were

1942, W9380/707/802, F.O. 371/32372; Campbell to Eden, 5 July 1942, W9564/707/802, F.O. 371/32372.
²⁷⁰ minute by Labouchere, 2 July 1942, W9380/707/802, F.O. 371/32372; minute by Labouchere, 8 July 1942, W9564/707/802, F.O. 371/32372; minute by L.E. Steele (H.M. Foreign Office), 2 July 1942, W9380/707/802, F.O. 371/32372; minute by Steele, 8 July 1942, W9564/707/802, F.O. 371/32372; Hildred to N.E. Archer (H.M. Dominions Office), 1 July 1942, W9535/707/802, F.O. 371/32372; Burkett

committed to his efforts in the West Indies.²⁷¹ British officials were beginning to realize that their vision of BWIA might not be Yerex's vision for the airline. They found themselves paired with an overly ambitious entrepreneur rather than a willing servant of King and country.

Whitehall's response was predictable. In a July dispatch to British representatives in Washington, Guatemala, and Trinidad, the Foreign Office stated that there had been no requests from officials in the British West Indies for such a service. Even there had been, the British government was not prepared to compete with Pan Am on a service that did not benefit the war effort. The message closed, "our feeling here is that the question has been discussed sufficiently and ought now to be dropped."²⁷² Once again, officials in Whitehall were hoping to put to rest these annoying efforts to expand Yerex's empire.

Once again, they confronted irrepressible officials in the Americas who would not take no for an answer. Leche, of course, offered his objections. In accordance with the thinly veiled instructions in the dispatch, he promised to "refrain from referring to the matter again," but decided to get in his proverbial "parting shots." He argued that American military authorities did not consider the service to be without value. Also, BWIA would not really be competing with Pan Am since the former could not meet all of the demand for transport. He castigated colonial officials for suffering from "inertia" and Air Ministry officials for being "obsessed" with fear of Pan Am. Yet it was not Leche that would cause a stir in London. Campbell sent his own dispatch echoing many of Leche's themes. He pointed out that the traffic was too great for Pan Am to handle, and BWIA's service would not compete with the other airline but merely "fill the gap." It would also provide improved communications between the West Indies and the surrounding nations

to Labouchere, 21 July 1942, W10235/707/802, F.O. 371/32372; Bigg to Labouchere, 23 July 1942, W10235/707/802, F.O. 371/32372.

²⁷¹ minute by Labouchere, 17 July 1942, W9927/707/802, F.O./ 371/32372; minute by Labouchere, 10 August 1942, W10953/707/802, F.O. 371/32371; minute by Labouchere, 23 July 1942, W10235/707/802, F.O. 371/32371; minute by Burkett to DGCA, 1 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by DGCA to DOCA, 3 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by Burkett to DGCA, 10 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM.

and thus “indirectly” aid the war effort. Campbell emphasized that Yerex did not require immediate support from the British embassy. Rather, he expected that after BWIA submitted its application for landing rights in Miami, the State Department would approach the embassy about the matter. Campbell asked for the necessary authorization to support Yerex’s application.²⁷³

This latest dispatch compelled officials in the Foreign Office to reconsider their position. After all, they had been saying that officials in Washington were in the best position to know what the U.S. government was thinking. Of course that had been when they were assessing Leche’s arguments. Now they had to examine their own. There had been some doubts in the Foreign Office ranks even before Campbell’s letter. In July, Neville Butler noted that one objection to BWIA’s proposed service was that it might allow Pan Am to demand reciprocal rights in British territory. Yet, Butler pointed out, Pan Am was already operating in various parts of the empire. Thus, he saw no objection to supporting BWIA if the British could be certain that this would not harm British relations with Pan Am and would help the war effort “broadly speaking.” Even Labouchere admitted that something might be gained from supporting BWIA’s operations to Miami. Following the receipt of Campbell’s letter, the idea to explore the possibilities gained momentum. In mid-August Labouchere sent a letter to the Air Ministry and Colonial Office asking them to consider Campbell’s request. He informed both that the Foreign Office thought that Campbell should have his way in this matter.²⁷⁴

The Air Ministry’s response was little different from previous statements. The ministry reiterated its old arguments against support for Yerex, such as the belief that his service was not vital to the war effort, that the application would antagonize the Americans needlessly, and that it was difficult to discern BWIA from TACA. However,

²⁷² Foreign Office to H.M. Embassy, Washington, 25 July 1942, W10235/707/802, F.O. 371/32371.

²⁷³ Leche to Scott, 31 July 1942, W11963/707/802, F.O. 371/32372; Campbell to Eden, 4 August 1942, W10953/707/802, F.O. 371/32372.

the ministry claimed that it did not want to actively obstruct Yerex's plans. Thus, it suggested that if the U.S. government approached Campbell about the matter, he should state that the British would not support the application in the face of U.S. opposition, but that it did see advantages to such a service. The Air Ministry cautioned that any such instructions must be clear in their limitations so as to prevent "a fresh series of rapturous cables from Mr. Leche or...a personal plea by Yerex himself." The Colonial Office agreed with this approach.²⁷⁵ In effect, this left the Foreign Office with the discretion in the matter.

Despite the fact that the Air Ministry had given way, there remained suspicions about the ministry in the Foreign Office. Sir David Scott asserted that the objections of both the Air Ministry and Colonial Office were "baseless" and commented that he had "often wondered indeed whether A.M. or BOAC were in some way under pressure from or tied to Pan Am." Butler added that the Air Ministry's latest letter "confirms also a suspicion that they have some sort of grudge against the excellent Yerex who is one of the comparatively few Britishers of this generation who has a really substantial achievement to his credit outside his own country." Perowne believed that the Air Ministry "may scent a possible rival in BWIA." The significance of these suspicions is that they led certain officials to demand more aggressive support for Yerex. Labouchere and Steele wanted to proceed along the lines suggested by the Air Ministry, but when Scott strenuously objected, Labouchere offered a "tougher version" of instructions to Campbell. Scott accepted as adequate but warned, "neither A.M. nor C.O. have even the beginnings of an idea of how to deal with people like P.A.A." If they believed that "buying them off" would produce any lasting "favor," they were "sadly mistaken." While Scott may not have been entirely satisfied, the Foreign Office did inform Campbell that

²⁷⁴ minute by Butler, 9 July 1942, W9564/707/802, F.O. 371/32372; minute by Labouchere, 8 July 1942, W9564/707/802, F.O. 371/32372; minute by Butler, 13 August 1942, W 10953/707/802, F.O. 371/32372; Labouchere to Bigg and Burkett, 18 August 1942, W 10953/707/802, F.O. 371/32372.

²⁷⁵ Hildred to Labouchere, 18 August 1942, W11313/707/802, F.O. 371/32372; Bigg to Labouchere, 11 August 1942, W11042/707/802, F.O. 371/32372.

while the Air Ministry and Colonial Office wanted BWIA to concentrate on the West Indies, as long as he was satisfied that the American reaction would not prejudice BOAC operations “in more important spheres,” he could proceed as he had suggested.²⁷⁶ Finally, Yerex seemed to have the British in his corner, even if only to a limited extent.

Unfortunately for him, he would soon find his position eroding both in the British West Indies and in Washington. In mid-August, the State Department approached the British about the matter of BWIA’s proposed contract. Citing its ten-year monopoly provision, the U.S. government declared that it had “important interests” in the region and asked the British government to delay taking any action on the matter while the U.S. government examined the agreement. For the Foreign Office, this was an unwelcome demand at an awkward time. Yerex was about to meet with the Governors in Trinidad to conclude the contract negotiations, and the Colonial Office was anxious to complete a process it had begun a year and a half earlier. Moreover, the Colonial Office pointed out that Yerex needed either a monopoly or subsidy, and it had promised him the former almost from the beginning. As for the Americans, the Colonial Office believed that it had a strong case for granting a monopoly of cabotage. The United States recognized the right to control cabotage, and it allowed only its national carriers to operate in its territory. As for Pan Am, it had never shown an interest in local operations in the British West Indies, and the agreement provided an exemption for its existing services. The Foreign Office, however, was greatly concerned about U.S. sensibilities in this matter. Its officials were not certain that the BWIA contract did not violate the recent “Halifax Agreement” which the British and Americans had negotiated. This agreement provided that neither would sign commercial aviation agreements with other countries that excluded the other power.

²⁷⁶ minute by Scott, 15 August 1942, W10953/707/802, F.O. 371/32372; minute by Butler, 22 August 1942, W11313/707/802, F.O. 371/32372; minute by Perowne, 22 August 1942, W11313/707/802, F.O. 371/32372; minute by Labouchere, 24 August 1942, W11313/707/802, F.O. 371/32372; minute by Labouchere, 27 August 1942, W11685/707/802, F.O. 371/32372; minute by Scott, 28 August 1942, W11685/707/802, F.O. 371/32372; minute by Labouchere, 30 August 1942, W11685/707/802, F.O. 371/32372; minute by Scott, 31 August 1942, W11685/707/802, F.O. 371/32372; Foreign Office to H.M. Embassy, Washington, 31 August 1942, W11685/707/802, F.O. 371/32372.

In essence, neither side was to try to get the “jump” on the other in the field of commercial aviation by means of diplomatic agreements. The Air Ministry, however, argued that this applied only to international services and not to cabotage, and thus not to the BWIA contract. If explained in this light, the ministry believed, the Americans would have no objection to the service.²⁷⁷

Despite these arguments, the Foreign Office was worried. While Labouchere agreed that the United States had little cause to “make a fuss,” others were not so certain. Butler expressed doubts about the 10-year duration of the monopoly, citing this as a difficult clause to defend. Perhaps, he suggested, it would be good to reduce this period. After all, Yerex had done well against Pan Am in Central America without such a provision. Other officials concurred. Steele argued that a “limited agreement” would be much easier to justify and suggested a monopoly for the duration of the war or perhaps three years. The Foreign Office subsequently sent a note to the Colonial Office along these lines. The Foreign Office’s attitude in this matter derived from a belief that the British had to cooperate with the Americans in the Caribbean. As Steele stated, “the whole question of civil aviation in the Caribbean area is fraught with complication.” He continued, “we must, I fear, accept it as a fact that we are no longer going to be able to deal with the West Indian islands as exclusively a British concern in any matters affecting the Caribbean as a whole.”²⁷⁸ At this time the Americans were pressing the British to form a joint commission to study and recommend plans for development in the Caribbean. This, of course, gave the United States some oversight power. The British, viewing the region as the backyard of the United States and themselves as too dependent

²⁷⁷ Lloyd to Under-Secretary of State for the Colonies, 8 September 1942, W12201/707/802, F.O. 371/32373; Hildred to Labouchere, 11 September 1942, W12415/707/802, F.O. 371/32373.

²⁷⁸ Campbell to Eden, 16 August 1942, W11508/707/802, F.O. 371/32373; minute by Labouchere, 9 September 1942, W 12201/707/802, F.O. 371/32373; minute by Butler, 10 September 1942, W12201/707/802, F.O. 371/32373; minute by Steele, 15 September 1942, W12201/707/802, F.O. 371/32373; Steele to Under-Secretary of State for the Colonies, 17 September 1942, W12201/707/802, F.O. 371/32373; minute by Steele, 24 September 1942, W12836/707/802, F.O. 371/32373.

to resist these demands, felt that the only way to protect British interests in the area was to cooperate with the Americans.

For Yerex, this was a most unwelcome development. He already had addressed this issue earlier in September when the Barbadian legislature proposed that the agreement last only until one year after the war. Yerex had responded that in light of his expenses in men and material, he required and deserved an “assurance of being able to establish a business of a permanent nature.” Now as he met with government representatives from Trinidad, the Windward and the Leeward Islands in mid-September, he once again faced efforts to revise the agreement. The British governor in Trinidad, Sir Bede Clifford, noted that the opening session was “sticky.” Yerex was disappointed by the many delays and by the amendments that the British wanted. Moreover, he did not appreciate the presence of one of the representatives of the Leewards who was also Pan Am’s regional agent. Yet as the conference progressed, the governor reported, things settled down. Yerex was willing to meet many of the British demands. He agreed to a clause protecting Pan Am’s existing services, but insisted on safeguards for BWIA with regard to fares on the internal British West Indies services. He also agreed to continue the service to Barbados, but demanded that the other governments cover any costs this incurred. He resolutely refused to agree to a shorter term for the contract. As a result, the Colonial Office decided to “stand pat” on the 10-year monopoly.²⁷⁹

This was hardly welcome news in the Foreign Office. The State Department had just informed the British that the U.S. government was “strongly opposed” to the monopoly provision and believed that since it was “vitaly interested” in the region the matter should be subject to Anglo-American discussions. Yet it was clear that the Air Ministry, the Colonial Office and Yerex were unwilling to bend on this issue. Thus, Foreign Office officials found themselves scrambling to come up with a response to the

²⁷⁹ Bushe to Secretary of State for the Colonies, 5 September 1942, W12188/707/802, F.O. 371/32373; Clifford to Secretary of State for the Colonies, 19 September 1942, W12737/707/802, F.O. 371/32373;

Americans. Steele suggested a “mild counterattack.” He proposed, one, to use the American objections about “exclusivity” against them by pressing for landing rights in Miami, and, two, to convince Yerex to drop the monopoly in favor of a subsidy. Other Foreign Office officials liked the idea, and transmitted it to the Colonial Office and the Air Ministry. The former rejected it on the grounds that Yerex would most likely consider it a “breach of faith” and pull out of the region. The Air Ministry supported the Colonial Office. Facing this stalemate, the Foreign Office called an interdepartmental meeting in early October. After a brief discussion, those present decided to inform the Americans about the events leading up to the agreement and to offer them a compromise: if a post-war agreement called for the abolition of monopolies, the Yerex agreement would “disappear.” If the Americans referred to the Halifax agreement, the British were to respond that they never considered it applicable to British colonies any more than the Americans would consider it applicable to U.S. territory. In mid-October, the Foreign Office sent a dispatch to this effect to Washington.²⁸⁰

The American response was not encouraging. The State Department informed the British that the region was of “supreme military importance” to the United States, and its future economic development was also of great consequence. Such interest, the department stated, should not be “complicated” by a ten-year monopoly. The department further claimed, “peace-time principles of cabotage are not properly involved in the present situation.” This message stunned the Foreign Office. Labouchere commented that while he had previously been concerned about U.S. encroachments in the empire, he now saw “the far more sinister situation of being warned of exclusive rights in our own

Clifford to Secretary of State for the Colonies, 19 September 1942, W12738/707/802, F.O. 371/32373; minute by Callander, 24 September 1942, W12836/707/802, F.O. 371/32373.

²⁸⁰ Halifax to Eden, 22 September 1942, W12836/707/802, F.O. 371/32373; minute by Steele, 28 September 1942, W12914/707/802, F.O. 371/32373; minute by F.E. Evans (H.M. Foreign Office), 28 September 1942, W12914/707/802, F.O. 371/32373; Lloyd (H.M. Colonial Office) to Under-Secretary of State, Foreign Office, 24 September 1942, W12914/707/802, F.O. 371/32373; Hildred to Under-Secretary of State, Foreign Office, 30 September 1942, W13217/707/802, F.O. 371/32373; minute by Labouchere, 8 October 1942, W13536/707/802, F.O. 371/32373; Foreign Office to H.M. Embassy, Washington, 13 October 1942, W13536/707/802, F.O. 371/32373.

colonies.” If the Americans were simply seeking free competition, their position would be understandable, but they had recently refused BOAC refueling rights in Liberia.²⁸¹ In essence, it seemed to the British that the Americans were dictating to them without regard to principle or fairness.

While there was a consensus of opinion about the lack of fairness on the part of the Americans, the matter of how the British should respond was open to debate. Some reiterated the theme that the Caribbean was in the American backyard and thus not a “normal” part of the empire. Butler stated that it was “a singularly unfortunate area” in which to establish a monopoly. Yet others wanted to take a stand. Steele argued that the “obvious answer” was to “demand our landing rights in the U.S. for a Canada-W. Indies service.” The answer, as it turned out, was to have another interdepartmental meeting on 12 December. At this gathering, the Air Ministry and the Colonial Office emphasized that the deal was close to done and the airfields were ready. With things ready to go, they could hardly support any measure that might delay the service. They reiterated that the British had encouraged Yerex to shift to the West Indies, and that they could hardly dissuade him now. Moreover, he had made it clear that he needed a monopoly, and the British had agreed. If they reneged, he might very well pull out and leave them with nothing. As for the American objections, the two departments pointed out that American aviation interests were not affected by the deal, and that U.S. interests in the region did not justify interference in a “local, colonial matter.” Furthermore, the Halifax agreement did not apply to cabotage. The outcome was a decision to inform Washington that the British would brook no interference in this matter.²⁸²

In early January, Halifax delivered the message to the State Department. He reported that one official told him that there was a serious disagreement within the

²⁸¹ Halifax to Eden, 4 December 1942, W16401/707/802, F.O. 371/32374; minute by Labouchere, 6 December 1942, W16401/707/802, F.O. 371/32374.

²⁸² minute by Steele, 7 December 1942, W16401/707/802, F.O. 371/32374; minute by Butler, 7 December 1942, W16401/707/802, F.O. 371/32374; minute by Labouchere, 13 December 1942, W17020/707/802, F.O. 371/32374.

department over the issue, and that this might delay a response. Finally, in mid-January the Americans informed the British that they withdrew their objections, but stipulated that the understanding in Washington was that Yerex's contract would conform to any future agreement on civil aviation, whether general or regional. The British were satisfied and assented to this proviso.²⁸³

The British had taken a tough stance with the Americans and lived to tell the tale. The situation had become so serious that the interested departments considered it necessary to inform the War Cabinet about this exchange with the Americans. Labouchere noted that the issue of BWIA's contract might force the British to reach some *modus vivendi* with the Americans concerning commercial aviation during the war.²⁸⁴ Clearly, the significance of Yerex's operations went far beyond providing services to isolated locales. He was a catalyst for dispute between the two allies, and he was forcing both to consider their future aviation policies. Had Yerex realized this, it would have been small comfort. Despite the relatively firm stand of the British, it was becoming clear that they could not protect him to the extent that they had first suggested back in 1940.

Meanwhile, Yerex's position vis-à-vis Washington had changed since the issue of Miami landing rights had arisen in mid-1942. At the time, the State Department had acted on his behalf, with Berle overruling Burke. As it turned out, TACA had been able to reestablish its charter service soon after the CAA's action. According to Leche, it simply had to avoid any appearance of a scheduled service. People could "charter" a flight and fill up the seats of their own accord. Of course, the demand for air travel was so high that TACA did not have to advertise. Still, Yerex wanted U.S. permission for a scheduled service to Miami for both of his airlines. He applied in early 1942, with the applications

²⁸³ Halifax to Eden, 6 January 1943, W330/42/802, F.O. 371/36450; Halifax to Eden, 13 January 1943, W816/42/802, F.O. 371/36450; Halifax to Eden, 17 January 1943, W982/42/802, F.O. 371/36450.

²⁸⁴ minute by Labouchere, 6 December 1942, W16401/707/802, F.O. 371/32374.

awaiting consideration until later in the year. These would be the subject of later State Department attention.²⁸⁵

The immediate issue for the department was Yerex's efforts to attract American capital. Leche reported in February 1942 that a group of New York investors had contacted Yerex about investing in TACA. This very well may have been the New York investment group of Schroder, Rockefeller, and Company, which in July of 1942 informed the State Department of a plan to "Americanize" TACA. Yerex would place TACA's stock into a "voting trust" in which American investors would hold a majority interest. Yerex would have one seat on the board of directors, with Americans occupying the others. Ostensibly, American interests would own and oversee TACA. Berle immediately approved of the plan, declaring that it would provide the ideal vehicle to fight Pan Am's monopoly. He informed the Schroder group that if TACA were "effectively" in American hands, the department would accord it "some degree of protection and support."²⁸⁶

Despite Berle's immediate and enthusiastic support for the plan, not all were "sold on it." There was some disagreement regarding what steps would place TACA "effectively" under American control. In fact, Berle and Burke already had crossed swords over this issue. In late April Burke had issued a memo declaring that Yerex must yield both financial and operational control of his airline to American interests. He claimed that Yerex could not be trusted with operational control of TACA because he had allied himself with the "Union Jack." He had founded BWIA and been diverting TACA's best resources to this decidedly British concern. Only direct American management of TACA, Burke insisted, would prevent such leeching and properly "Americanize" the airline. In May he sent another note to Berle accusing Yerex of using TACA as a "buffer" against complete "Americanization." American interests, Burke reiterated, needed to have

²⁸⁵ Leche to Eden, 27 June 1942, W9262/707/802, F.O. 371/32372.

²⁸⁶ John Laylin (Schroder, Rockefeller, and Company) to Burke, 10 July 1942, 813.796 TACA/151; Berle Memo, 18 July 1942, 813.796 TACA/151; Berle to Laylin, 24 July 1942, 813.796 TACA/155.

operational control of the airline. In contrast to Burke, Berle was much less stringent. He stated that “Americanization” would require only that Americans hold a majority interest in the company and that the rest of the stock be in “Allied” hands.²⁸⁷ Operational control was not a concern for him. Thus, when the Schroder plan blossomed, Berle was willing to endorse it.

Like the American Export arrangement, the Schroder plan would not stand the test of time. Yerex’s desire to expand would be responsible for undermining it. He had long contemplated a service in Brazil, and had been transporting various materials for the U.S. military between this country and the United States. This service apparently used BWIA aircraft in the early months. However, he formalized his Brazilian operations by founding Empresa de Transportes Aerovias Brasil in September 1942. He and a TACA vice president were the majority owners, with two Brazilians holding the remaining stock. This new airline quickly caused alarm in Washington. Rumors abounded that Yerex soon would ask for landing rights in Miami for his new airline. He submitted a rather large request to the Anglo-American Joint Aircraft Board for 6 Lockheed Lodestars and 2 B-24s (the transport version) for this service. It was clear that Yerex had grand ideas for the new airline. While ostensibly a Brazilian company, the State Department and the rest of the U.S. government had their doubts as to whether it was *bona fide*. To U.S. officials, it seemed likely that Yerex’s new operation was, in the words of Philip Bonsal of the Division of the American Republics, a means by which “the ground is being prepared...for BOAC to enter an area which should be the preserve of United States carriers and of bona fide carriers of the other American republics.” After all, BOAC was operating just across the Atlantic in West Africa; a link across this stretch of ocean would not be difficult. Once this was done, the British would have access to a vast network throughout the hemisphere and even to the United States.²⁸⁸

²⁸⁷ Burke to Berle, 24 April 1942, 813.796 TACA/162; Burke to Berle, 1 May 1942, 813.796 TACA/162; Berle to Burke, 28 April 1942, 813.796 TACA/162.

²⁸⁸ Davies, *Airlines of Latin America*, 132; Bonsal to Berle, 14 October 1942, 832.796/1045-1/2.

The matter of how to respond became a matter of some discussion, and resulted in an interdepartmental meeting on October 13. American military officials supported the service because of its valuable contribution to the war effort. The State Department's Division of American Republics also wanted the service to continue for the duration of the war, citing the present "emergency" and the desperate need for transport in the region. It would not, however, recommend that Yerex get the planes he requested. The CAB took a much harder line against Yerex. Its representative, Howard Railey, stated that he would recommend that the board "do almost anything to cut the ground out from under Yerex." In fact, he suggested that the board might now reject TACA's proposal for a scheduled service between Central America and Miami on the grounds that the Brazilian operation had claimed so many of TACA's limited resources that it compromised the airline's ability to perform the this service. While those present reached no decision on this matter, they did seem to concur that one, Yerex should not received the requested planes and, two, the U.S. government should inform the Brazilians that it would prefer to grant landing rights to a *bona fide* Brazilian-owned airline.²⁸⁹

Yerex's activity in South America greatly altered the previously friendly mood in the department. The once-enthusiastic Berle cooled, noting that the situation had "materially changed." He concurred that the United States should not "encourage" this latest venture, that it should reject Yerex's aircraft request and that it should "serve notice" to the Brazilians that it did not favor Aerovias Brasil. Yet Berle's cooler attitude toward Yerex derived not only from this latest venture. At the end of September, the International Communications division completed an investigation of the Schroder proposal. It discovered that the majority of the stock in the Schroder firm was in fact in British hands. Thus, one of the "American" holding companies was in fact British-controlled. This was a rather stunning revelation for Berle, who stated bitterly, "I should think Yerex might find some real American money if he really wants to 'Americanize'."

²⁸⁹ Bonsal to Berle, 14 October 1942, 832.796/1045-1/2; G.S. Roper, "Memorandum of Conference Held

He concluded that TACA would have to have “a manager other than Yerex.” In the minds of most U.S. officials, it seemed likely that the New Zealander would link his far-flung operations together and expand his network. Who would benefit from this was unclear, but U.S. officials feared the worst. As one memo stated, BWIA and TACA were commercial services with “non-hemispheric potentialities.”²⁹⁰

The department took action. In a telegram to the U.S. embassy in Brazil, it declared that the United States would not support this latest venture. It soon discovered that it would have to modify this stance. The U.S. ambassador to Brazil, Jefferson Caffery, warned the department that denying the new airline access to Miami might invite reprisals from the Brazilian government, which regarded the company as Brazilian. This was no small threat, for Brazil was at the heart of the supply route to the Mediterranean front. In the end, the department acceded to the necessities of war and informed the embassy that it would tolerate Aerovias Brasil landing in Miami, but with two qualifications. First, the United States would admit only airlines with “hemispheric” ownership. Second, Aerovias Brasil would have access on a temporary basis, and only for military operations. Purely commercial flights were not permitted.²⁹¹ With the former qualification, the department managed to keep the peace with Brazil while barring the American door to the Europeans. With the latter, it served notice to Yerex that his foot was not in the door.

Meanwhile, Berle informed Yerex that the department did not support the Schroder plan. The news was a bitter pill for Yerex, who was reportedly “mad” at the State Department.²⁹² In part, his displeasure is understandable. There is nothing in the British records indicating a scheme to hide British ownership of TACA. In fact, the Air

on October 13, 4 P.M. to Discuss ‘Aerovias Brazil’,” 15 October 1942, 832.796/1045-1/2.

²⁹⁰ Berle to Division of International Communications, 14 September 1942, 813.796 TACA/178A; Hull to Caffery, 23 October 1942, 813.796 TACA/185; Hull to Caffery, 5 November 1942, 813.796 TACA/193; Berle to Division of International Communications, 19 October 1942, 813.796 TACA/189-4/6.

²⁹¹ Davies, *Airlines of Latin America*, 132; Hull to Caffery, 23 October 1942, 813.796 TACA/185; Caffery to Hull, 29 October 1942, 813.796 TACA/193; Hull to Caffery, 1 December 1942, 813.796 TACA/201.

Ministry questioned the desirability of the Schroder plan from the British perspective because this would effectively, in their view, “Americanize” TACA and might pose a threat to British control of BWIA. Moreover, the British were not supporting the Brazilian venture. In essence, Yerex could not “win,” so to speak. Whatever move he made, both sides opposed it. Still, however unfair this might have been, Yerex was in part responsible for his difficulties, having failed to anticipate how his business activities would affect his standing in Washington. As one British commentator put it, all Yerex saw were opportunities for commercial expansion.²⁹³ Unfortunately, his vision blinded him to the fact that circumstances were curtailing his liberty to define himself and his operations.

As one may observe from the above, all of Yerex’s operations were now under suspicion. This explains the State Department’s rather strong response to BWIA’s proposed contract in October. The Department had long been aware of Yerex’s activity in this venture, but had manifested little concern about it until mid-1942. In May, Evan Young, a vice president for Pan Am, sent Burke a copy of Yerex’s proposed contract. Apparently, Pan Am had a source in Barbados that was able to keep abreast of developments pertaining to this contract. While U.S. government records do not identify this source, and while they do not confirm any specific British suspicions (i.e. about the attorney general of Barbados), the correspondence from Pan Am over the subsequent months clearly indicated that it had friends in high places. With this correspondence, the department was able to track accurately developments in the BWIA situation. Doubtless this contributed to Burke’s rather sudden turn against Yerex and his belief that the *New Zealander* was a British instrument. Yet he appreciated the importance of Yerex’s new operation. He stated, “the case of Yerex in its over-all aspect involves fairly broad question of policy,” and thus “the time has arrived when the matter must be met squarely

²⁹² Berle to Pogue, 24 November 1942, 813.796 TACA/207a; Berle to Welles, 27 October 1942, 813.796 TACA/215a; Cabot to Bonsal, 25 November 1942, 813.796 TACA/209.

and decided from a policy viewpoint.” In essence, what Burke wanted was for the department to determine what would be its future policy for commercial airlines. Despite his urging, the department took little action during the summer. Berle was particularly instrumental in delaying action, urging that the department consider the BWIA proposals and confer with other departments about them. Only in the fall did the department make representations to the British to block this agreement.²⁹⁴ It was no coincidence that this effort came in the midst of Aerovias Brasil affair and the revelations about the Schroder company.

Despite the tough stand that the department took with regard to the BWIA contract and the fears it had about Yerex’s expansion, its policy was not clear-cut. The department opposed a monopoly for BWIA in the British West Indies. It wanted to protect American aviation interests in the region, regardless of colonial claims. Yet the degree of opposition to BWIA varied. Some officials, most notably Burke, were opposed to any assistance for the airline, and in fact seemed to want its extinction. Berle, however, did not desire the elimination of BWIA. He pointed out that American airlines had shown “no great enthusiasm” in the past for developing air services in the region. Moreover, the Americans could hardly object to the British wanting their own service in their own colonies. Yet Berle was not merely considering the interests of the British West Indies. He commented, “it is quite possible that the British may block off the British Caribbean islands from American use--and will probably cite in justification the fact that we do not allow British planes to operate over the United States.” Thus, in order to prevent the British from blocking one path between the United States and South America in the future, Berle was willing to allow BWIA access to either the United States or South America. He was not willing to permit it to operate to both, as this would create the

²⁹³ minute by Burkett, 22 March 1942, AVIA 2/2312, AM; minute by Burkett, 1 September 1942, AVIA 2/2312, AM.

²⁹⁴ Evan Young (Vice President, Pan Am) to Burke, 18 May 1942, 844.796/3; Young to Burke, 16 June 1942, 844.796/4; Burke, Memo, 14 May 1945, 844.796/10-3/10; Berle to Stimson, 11 August 1942, 844.796/3.

feared link for BOAC to the United States. Yet he believed that it would be necessary to give the British something so as to preclude any closing of the Caribbean. In essence, Berle's was not willing to completely slam the door shut in Yerex's face. Thus, when the British made their stand against the American objections the following January, the department acquiesced. As one department memo explained, the American position was "somewhat weak" because of the generally accepted principle of cabotage.²⁹⁵ Still, while Yerex had the clearance for his BWIA contract, he was now under a cloud of suspicion in Washington.

Despite this, the Americans did not completely close the door to Yerex, and the two parties soon were flirting again. This was due in part to a shift Yerex made in his operations. On January 27, 1943, he reorganized his TACA holding company, changing its name from TACA, S.A. of Panama to Inter-American Airways, S.A. He also incorporated "Inter-American Airways Agency" in New York to promote his chief ventures, TACA and BWIA. This move apparently lightened the mood of some in the State Department, most notably Berle, who was again championing Yerex's cause. In a memo that contravened what he had said about the need to replace Yerex, Berle claimed that the New Zealander was valuable to the United States because he "can do a job that no American can do." However, not all in the department were so favorably disposed. Burke remained the foremost opponent, and he would clash with Berle throughout 1943 over the issue of Yerex. In late February, reports filtered into the department that Pan Am was denying TACA and BWIA adequate landing facilities in Miami. Berle promptly asked the CAB to investigate the reports, declaring that if Pan Am was causing any problems, the government should deal with it. Burke quickly fired off a letter to Berle, arguing that there was no need for an investigation. He took care to mention that Yerex had "refused

²⁹⁵ S. Latchford, "Representations to the British Government Concerning the Proposed Granting of a Monopoly to British West Indian Airways," 16 September 1942, 844.796/29; Berle, memo, 9 October 1942, 844.796/26-1/2; Berle, memo, 19 October 1942, 832.796/1045-1/2; Department of State, memo, 18 February 1943, 844.796/37.

to meet...standing requirements” for Americanization, insinuating that the New Zealander did not deserve any assistance from the U.S. government.²⁹⁶

The battle between the two would get more vicious in the coming months. On April 9, the Civil Aeronautics Board granted TACA and BWIA temporary foreign air carrier permits. These would allow the two airlines to operate to Miami for a six-month period, with renewal at the discretion of the CAB. Days later, Burke sent a memo to the Secretary of State regarding what he considered to be the “unusual advocacy” of Yerex’s ventures by members of the department. He claimed that this activity would leave the department open to criticism in the Congress and the press because it supported a British airline at the expense of American interests. He specifically charged Berle with pressuring the CAB to grant the permits to Yerex’s operations. He claimed that the matter had first arisen the previous summer, when Berle sent a letter to the CAB declaring support for TACA in the event it should apply for a temporary foreign carrier permit. The CAB, as a result, had decided to issue a call for applications for such permits and to hold hearings on the matter. In December, the CAB had decided to grant the permits, but first sought the opinions of the various executive departments. The War and Navy departments, Burke asserted, so vigorously opposed the granting of permits to TACA and BWIA that the board reversed its decision in early March. However, Berle then met with the CAB in early April, and it reversed itself once again. In essence, Berle had single-handedly forced the U.S. government to grant permits to Yerex’s operations, a move which threatened to give the British a distinct advantage over the Americans and to “damage the over-all position of United States aviation.” Burke “strongly recommended” that the department reverse course.²⁹⁷

²⁹⁶ Davies, *Airlines of Latin America*, 134; Burke to Berle, 22 February 1943, 813.796 TACA/219; Berle to Hooker, 18 February 1943, 813.796 TACA/214; Berle Memo, 18 July 1942, 813.796 TACA/151; Berle to Pogue, 25 February 1943, 813.796 TACA/215a; Berle to John S. Hooker (Assistant Executive Secretary, Board of Economic Operations), 18 February 1943, 813.796 TACA/214; Burke to Berle, 23 February 1943, 813.796 TACA/214.

²⁹⁷ Burke to Hull, 16 August 1943, 844.796/8-1643; Burke, memo, 15 April 1943, 844.796/49.

If the fact that Burke had “gone over his head” had not been enough to upset Berle, the fact that this account of events mysteriously appeared in an *American Aviation Daily* article the following month surely did. CAB Chairman L. Welch Pogue quickly contacted the assistant secretary to assure him that the board did not believe that Berle had coerced it into the decision. While Berle appreciated this, he could not have been pleased about the article. While there was no evidence to link Burke directly with the account, the circumstantial evidence is overwhelming. Soon, Berle would move to curb the head of the international communications division.²⁹⁸

The next issue to arise concerned Aerovias Brasil. In early 1943, the Brazilian government approached the U.S. government requesting Miami landing rights for both Panair do Brasil--a Pan Am subsidiary--and Aerovias Brasil. The State Department asked the Brazilians to reconsider this request, indicating that the United States would prefer to grant a permit to one airline. In May, the Brazilian government replied that it would designate Yerex’s company for the honor. The department convened a meeting to consider the request. After a brief discussion, all present agreed that Brazil was deserving of reciprocal rights. A more extended conversation took place regarding what exactly these rights were and who could have them. They noted that the CAB was demanding that 75% of the ownership be in national or U.S. hands. However, they were willing to be more flexible. With specific reference to Aerovias, the officials believed that Yerex’s personal ownership of 1/3 of the stock did not disqualify the airline, since the rest of the stock was in *bona fide* Brazilian or American hands. Thus, the meeting closed with a decision that the department would prepare to exchange notes with the Brazilians agreeing to reciprocal rights.²⁹⁹

It fell to the Division of International Communications to compose the necessary note. However, this was not immediately forthcoming. Burke had been present at the

²⁹⁸ Berle, memo of conversation, 11 May 1943, *Berle Diary* 3, X: 2, 56.

²⁹⁹ “Minutes of a meeting held in Mr. Berle’s office, Monday, May 31, 1943 at 4:30 P.M.,” 1 June 1943, 810.796/221 1/2.

meeting, and the record shows no objection on his part to the proposed action. However, it soon became apparent that he did not support the decision and desired an airline other than Aerovias. A member of his own division commented that the U.S. government could hardly choose for the Brazilians which airline they would support. Philip Chalmers countered that while this was true, the United States could certainly reject any airline it did not find acceptable. This retort is surprising in light of the fact that Chalmers was a member of the Division of American Republics, which had been supportive of Yerex. The battle raged through the middle of the summer. In early August, Burke set forth his objections once again in a memo for the Secretary of State. He criticized “the support given in certain quarters of the Department to Yerex and his enterprises.” Burke declared that Aerovias was clearly not *bona fide*, but “British-owned.” He urged that the department reconsider the present course of action.³⁰⁰

This did not escape Berle’s attention. In a letter to Welles, Berle pointed out that the matter had been under consideration since August, and that further delay by the department would be pointless. He deprecated the notion that he or others in the department had advocated Aerovias as the preferable candidate for Brazilian support, stating “we should have been very glad if the Brazilians had let us out of this.” However, they had not, and the U.S. could hardly support Panair do Brasil. This would look bad to the Brazilians and place that line in competition with its parent company, Pan Am. Furthermore, he pointed out that the CAB had the power to continuously monitor Aerovias to insure that it was and remained *bona fide*. In closing, he emphasized that the Brazilians had “freely granted us everything we could wish in the way of air rights.” To balk at a Brazilian company gaining similar rights might harm U.S.-Brazilian relations. In a reply, Welles agreed with many of Berle’s points. However, he wondered if an exchange of notes would be wise before the U.S. government formulated a “detailed policy” for international commercial aviation. Apparently, as a result of Welles’ doubts,

³⁰⁰ Satterthwaite, memo, 12 June 1943, 811.79632/102; Burke, memo, 2 August 1943, 811.79632/104.

the exchange of notes never took place. Rather, by November, the department was making plans to approach the Brazilians about negotiating a comprehensive civil aviation agreement. Meanwhile, Aerovias would continue its services to the United States on a charter basis.³⁰¹

Throughout the summer of 1943, support for Yerex's operations seemed to grow within the department. Allan Dawson (Division of the American Republics) issued a memo detailing the ownership of Yerex's various holdings.³⁰² He claimed that American or hemispheric nationals held control in TACA and Aerovias. He admitted that British subjects held the majority ownership of BWIA, but noted that all were hemispheric residents. Why then, he asked, "blackball" Yerex's operations? The United States should instead "take them in." Even Chalmers, who was suspicious of Aerovias Brasil, declared that there was nothing to fear about British ownership of BWIA. Berle took this line of reasoning a step further in an August memo in which he posed some thought-provoking questions. While Yerex was a foreigner, what about the Americans who held stock in his companies? Also, what about American aircraft manufacturers who wanted to sell to the New Zealander? Would the State Department best serve U.S. interests by supporting an American airline at the expense of these interests?³⁰³ Berle almost seemed willing to take Yerex "as is."

Meanwhile, the other interested executive departments of the government only lent to the confusion. The CAB was clearly opposed to Aerovias, and refused to approve its application to land in Miami. Meanwhile, in mid-1943, Yerex submitted a large request to the Munitions Assignments Board for airplanes. He asked the board to assign Aerovias 8 DC-3s and 4 Lockheed Lodestars, or, if DC-3's were not available, 2 DC-4's

³⁰¹ Berle to Welles, 3 August 1943, 811.79632/104; Welles to Berle, 3 August 1943, 811.79632/104; Philip O. Chalmers (Division of the American Republics), memo, 8 November 1943, 832.796/1298; Davies, *Airlines of Latin America*, 415.

³⁰² TACA: 63% American-owned, 37% Yerex; Aerovias Brasil: 45% American, 40% Brazilian, 15% Yerex; BWIA: 25% American, 40% citizens of the British West Indies, 35% Yerex.

or 2 C-87s. In the midst of a war, such a request was stunning, both in the number and the quality of the airplanes which it sought. Contrary to what one might expect, the MAB did not reject the request out of hand. They were willing to consider the Lockheeds, but the other aircraft was out of the question, considering that they were in short supply and that the CAB had not cleared Aerovias for the Miami services on which the airline would use them. However, the board did not want to prejudice Aerovias' case with the CAB, so it decided to table the request rather than reject it.³⁰⁴ Thus, while hardly leaping at the opportunity to assist Aerovias, the U.S. government as a whole made no definite moves to close the door to its operations.

Thus, throughout 1942 and 1943, the Americans could not make up their minds about what to do with Yerex. On the one hand, U.S. officials could be strident in their opposition to some of his operations, most notably Aerovias, and almost paranoid about British influences. On the other hand, they almost never shut the door to his operations, and at times seemed almost unconcerned about the British threat. Of course, this depended on the officials. Burke opposed Yerex consistently, while Berle almost always supported him. In large part, the issue of support versus opposition depended upon the interests of the party. The Division of American Republics, which was supportive of Yerex, was concerned primarily with assisting and maintaining good relations with the nations of Latin America. They clearly perceived Yerex's operations as an instrument, at times a necessity, for accomplishing this goal. Burke, on the other hand, had as his primary concern maintaining and advancing American aviation interests. He was less concerned about the "Good Neighbor," as evidenced in his 1942 statement that the Central Americans would have to live with the shortage of transportation in the region. Yet the divisions between the supporters and opponents were not always so clear. After

³⁰³ Allan Dawson (Division of the American Republics, State Department) to Bonsal, 6 September 1943, 813.796 TACA/238; Chalmers to Bonsal, 4 September 1943, 813.796 TACA/238; Berle, Memo, 31 August 1943, 813.796 TACA/241.

³⁰⁴ J.D. Walstrom, (Division of International Communications, State Department), memo, 18 August 1943, 832.796/1264.

all, officials often found themselves divided on the issue, as both Berle and Chalmers demonstrated. No American official was opposed to American aviation interests. They would always favor them over a foreign interest, and the department was very consistent in demanding that Yerex “Americanize” his operations. Yet not all perceived Yerex as a British tool, as did Burke, and not all considered support for him as being opposed to American interests. In fact, it often seemed to be in the American interest to support Yerex. In sum, the department and the U.S. government as a whole could not neatly categorize Lowell Yerex.

By and large, the considerations involved in the policy makers response to Yerex were rational. Yet there are instances when support for Yerex did not follow a rational line of thinking. For example, Berle had conceded in late 1942 that Yerex would have to go as manager of TACA. Yet in a memo only four months later, he declared the New Zealander to be indispensable to U.S. interests. What is surprising about this is the speed with which Berle so easily forgave Yerex and the fact that he claimed that Yerex could do what no American could. Admittedly, Yerex had moved his headquarters to New York in the interim period, but this should hardly have made Berle so rhapsodic. Furthermore, the claim that no American could do the job seems a bit overstated. After all, Denby was operating in Guatemala, albeit not on the scale of TACA and as an ally of the much-despised (by Berle) Pan Am. Still, it did not seem impossible for Americans to operate in the region. One is left wondering why Berle considered Yerex so indispensable.

The answer may be found in Yerex’s legend. Berle had followed his career for three years in department reports, which clearly manifested Yerex’s ability in the aviation business. Yet these were not his only sources. Department records indicate that Berle had seen some of the popular literature concerning Yerex, most notably Pyle’s articles. One must remember that these articles presented, in Pyle’s words, a story that was both “precise and romantic.” Pyle’s story of Yerex is engaging. Here was a man who had come to Central America with nothing and through hard work, prudent investment, uncanny

ability, and “without tricks or manipulation” had made himself a millionaire. In essence, Yerex was the quintessential American dream, the local boy who had overcome adversity and displayed some unusual talent to make his mark in the world. As one British official put it, “Yerex is a first class example of ‘the boy who made good’-the type that command genuine American respect.” In some ways, it is hard to imagine this influencing Berle. After all, he was an Ivy League scholar who had written a treatise on the need for government regulation of the large, modern corporation. He was a pragmatist, one who saw business as something that needed to be controlled. One cannot know if Berle grew up reading such novels as *Ragged Dick*, or to what extent the American dream still influenced his thinking. Yet there remained in Berle a touch of the American romantic, one who still believed in old-fashioned American icons. Frederick Pike, referring to the Good Neighbor policy, has argued that Berle had an affinity for “people of the earth”.³⁰⁵ In essence, he still liked the “little guy”. While Yerex was no Latin American peasant, he was a little guy in international aviation, one who had stood up to the giant corporate bully. In essence, Berle was culturally predisposed to support the little guy, Yerex, who was a self-made man of American yore. In some instances, this affinity may have happily coexisted with his more concrete concerns; at other times, it made him more likely to forget them.

Yerex was not merely an intriguing person for Washington officials, however. He was a significant catalyst for thought and debate in Washington concerning U.S. policy for international commercial aviation. While this policy would interest many other executive departments and agencies, the key player was the State Department. It was the agency that dealt most extensively with Yerex. Moreover, the department, and more specifically Berle, was taking the lead in formulating U.S. commercial aviation policy. It

³⁰⁵ Berle, memo, undated, 815.796/172; Ernie Pyle, “Here’s some Fabulous Details about a Fabulous Air Line,” *Washington Daily News*, 14 March 1940; Ernie Pyle, “Airline Operator Victim Twice of War-Time Bullets,” *Washington Daily News*, 15 March 1940; minute by Butler, 31 July 1943, W10629/42/802, F.O. 371/36451; Frederick B. Pike, *FDR’s Good Neighbor Policy: Sixty Years of Generally Gentle Chaos* (Austin: University of Texas Press, 1995).

had significant influence over the other agencies in matters pertaining to Yerex. Furthermore, Berle was chairing the Inter-Departmental Committee on International Aviation (IDCIA). This would be the body most responsible for formulating the future U.S. civil aviation policy. There were other key players who were on this committee, most notably L. Welch Pogue, chair of the CAB. Admittedly, not all agreed with Berle on every issue concerning commercial aviation. However, as Alan Dobson has noted, in the early months of the IDCIA, these disagreements were not very evident. Moreover, on the key issues of, one, whether the United States would support a monopoly or competing airlines in international aviation and, two, whether it would want a highly regulated or a more open competitive system, the players were in general agreement. Thus, Berle's thinking in these early stages largely reflected the predominant thinking in the executive branch of the U.S. government.³⁰⁶

Within the State Department, Yerex provoked much thought and discussion about aviation policy as a whole. One must not overemphasize the conflict within the department, for there was a general consensus on two important issues. First, the U.S. government would back only American airlines. U.S. officials, including Berle, were unrelenting in their demands that Yerex sell out to American interests. Second, they viewed the British as their rival in the field of commercial aviation and did not trust their wartime allies. However, debate arose regarding the best course of action for promoting American interests. This disagreement manifested itself most clearly in the debates between Burke and Berle.

For his part, Burke believed that the State Department had to lend its unqualified support to American airlines. He regarded Yerex as a Trojan horse for the British and believed the safest course of action was to shut him out, even if it meant bolstering Pan Am. In one memo, he declared that despite his "strong opposition" to Pan Am's monopoly, he did not feel that the department should encourage a foreign competitor

³⁰⁶ Alan P. Dobson, *Peaceful Air Warfare*, 138-51.

against one of its own airlines. In a separate memo, he predicted a fight between American (Pan Am) and British (Yerex) interests. The State Department, he asserted, should give its unmitigated support to Pan Am. Burke seemed sincere in stating that he did not favor Pan Am. He would leave the department in early 1944 to take a post with Pan Am's old nemesis American Export Airlines. Moreover, he frankly admitted as late as 1942 that "sentimentally my heart bleeds for Yerex, erstwhile victim of the 'Blitz of Guatemala'." Yet, he warned, "the Yerex of BWIA is another matter-and the omissions of PAA are not half as important now as the protection of this Government's position."³⁰⁷ Quite simply, Yerex had become a threat to American interests, and the State Department had to protect these, regardless of Pan Am's past. Burke's thinking was in line with the old international aviation policy. A nation's international aviation interests were synonymous with its international airline(s), and a nation best promoted these interests by protecting this/these airline(s). A nation should try to get more than it gave in negotiations with other nations so as to give its airline(s) an advantage over those of other countries. Thus, Burke viewed the matter of Yerex in black and white.

Berle, on the other hand, had priorities that cast the issue of TACA in shades of a gray. As much as anyone, he was suspicious of the British and would give them little quarter in any fight over commercial aviation. Yet he also wanted a competitor for Pan Am. Thus, TACA held a certain appeal for Berle, his suspicion of the British notwithstanding. Yet more importantly, his tendency to support Yerex reflected more than a desire to combat Pan Am. Often, Berle was thinking about U.S. aviation policy as a whole, and particularly with regard to the British. For example, he had warned in October 1942 that denying Yerex access to Miami might lead the British to "block off" the British West Indies to American use. In the coming years, one of Berle's foremost concerns was that the British might prevent American airlines from operating over the

³⁰⁷ Burke, memo, 2 August 1943, 811.79632/104; Burke to Berle, 22 February 1943, 813.796 TACA/219; "Communications Expert Named to Airlines Post," *New York Times*, 13 February 1944, 42; Berle, memo, 9 October 1942, 844.796/26-1/2.

empire, thereby stunting their growth. Moreover, he realized that American aviation interests included more than airlines. There were also investors and manufacturers to consider. He manifested these concerns in his mid-1943 memo about Yerex's operations. To put the matter quite simply, Berle was beginning to think about international aviation from a new perspective. At the time, it was clear to many that the United States held a tremendous advantage in transport aviation. The war had forced their main rival, the British, to concentrate their aviation resources to the production of combat aircraft. The design and production of transport aircraft had almost ceased in Britain. Meanwhile, American production and design had made dramatic advances. American manufacturers were supplying both the United States and Britain with the transport aircraft necessary for the war effort. The two sides formalized this de facto arrangement in 1942 with the Lyttleton Agreement, in which Britain agreed to concentrate its resources on combat aircraft and depend on the United States for transports. As if this were not enough, the British were not able to provide all of the air transport they needed, and thus they had to allow American airlines and transport commands to operate in various parts of the empire. Quite simply, the U.S. aviation industry held tremendous advantages in transport aviation.³⁰⁸ To Berle, the future peace promised great opportunities for American operators, investors, and manufacturers. But if the British or anyone else could close the door to American airlines, these advantages might very well be lost.

With this in mind, Berle began to consider the benefits of a more "open" international aviation policy. If the United States helped to establish a more open international system, it would benefit American aviation interests by permitting unrestricted operations around the world and by increasing the demand for planes and capital. Such a system would necessitate that the United States open its own borders to the airliners of other nations, but in an open contest American planes and money were likely to dominate the world's air routes. Thus, to Berle, a less restrictive international

³⁰⁸ Erik Benson, "Suspicious Allies: Wartime Aviation Developments and the Anglo-American International

system was an attractive proposition. In mid-1942, he forwarded a State Department memo about a policy of “freedom of the air” to Pogue. The latter responded that while he foresaw some difficulties in implementing such a policy, that he felt “an assurance that the doctrine of freedom of the air will eventually obtain throughout the world.” While in later months he and Berle would have differences of opinion on how to best implement this goal, “freedom of the air” became the byword in American circles.³⁰⁹ It is difficult to quantify TACA’s role in the evolution of this policy, but the record demonstrates that Yerex provided a catalyst for thought and debate on the issue.

On the other side of the Atlantic, British policy makers were having to consider Yerex in light of their greater policy interests. In early January, Leche forwarded a copy of a *Time* magazine article that called for, in his words, “complete freedom of the air.” Leche argued that this demonstrated that there were those in the United States who wanted to adopt a “less selfish attitude” regarding commercial aviation. He urged a reconsideration of the British aviation policy for Latin America, citing the new attitude and the tremendous growth in Yerex’s network. No longer was the idea of a British network in the hemisphere “the dream of a couple of enthusiasts.” Rather, it was now a “very important interest” for Britain and from his point of view it was “inconceivable” that the British should let this opportunity pass.³¹⁰

Leche correctly perceived that in theory, the idea of “freedom of the skies” was of potentially great benefit to Yerex. However, British officials in Whitehall quickly and correctly perceived it as a threat for British interests as a whole. As one Foreign Office official commented on Leche’s letter, it was clear “that the establishment of freedom of the air...would in practice mean world domination for American air lines owing to their greater strength.”³¹¹ In one sense, this turned the previous British objections to Yerex on their proverbial heads. They had earlier feared that their support of Yerex’s plans for

Airline Rivalry, 1939-45,” *History and Technology* 17 (2000): 35.

³⁰⁹ Pogue to Berle, 4 August 1942, 800.796/246; Dobson, *Peaceful Air Warfare*, 125-29, 138-51.

³¹⁰ Leche to Scott, 5 January 1943, W1411/2/802, F.O. 371/36430.

access to the United States would produce American objections and harm Anglo-American relations. Now they feared the opposite: the Americans would gladly open the door, albeit in order to flood the world with their airlines. Yet this was not necessarily a new fear in Whitehall. British officials had avoided support for Yerex in part because they did not want to poach on American preserves, as they said, with the hope that their counterparts would return the favor. In the coming months, they would discover that this hope was hollow, as the Americans moved aggressively to dominate the airways of the world. For Yerex, this meant that the British would continue to regard him as a dangerous person with whom to deal.

The British were well aware of their weaknesses vis-à-vis the Americans in the field, and they were becoming increasingly concerned with checking the American tide. They focused their efforts on preventing or minimizing American incursions into the empire and other areas of importance to Britain. One such area was the British West Indies. British officials wanted to insure that any operations within this area would be British-controlled. Of course, this meant BWIA. Thus, they had to be concerned with Yerex's standing vis-à-vis the Americans, particularly with regard to TACA. Fears about the TACA/BWIA links had arisen in early 1942 during Yerex's negotiations with Pan Am. Officials within the Air Ministry expressed worry since Pan Am was reportedly seeking a majority interest in TACA. This in and of itself did not worry them, as they had already decided that they could not support TACA against Pan Am and that it would be best for Yerex to strike some deal with the Americans. However, they did worry about the Americans gaining control of TACA in light of the airline's close links with BWIA. As more than one official noted, it was difficult to distinguish between the two, for they used the same planes and personnel, and both were under the personal direction of Yerex. Regarding this last point, one official wondered if the general manager of an American company (should TACA be "Americanized") would be "the proper person to entrust with

³¹¹ minute by D. Maclean (H.M. Foreign Office), 5 February 1943, W1411/2/802, F.O. 371/36430.

the development of British services in the West Indies?” The ministry as a whole accepted the necessity of the sale of TACA. But as Hildred stated, Yerex’s loyalties could be “divided” and thus he would bear careful watching. Burkett did point out that BWIA’s contract contained safeguards to insure British control of the airline, such as a provision that the majority of the directors be British subjects and that BOAC hold a seat on the board. These measures, he believed, were adequate to prevent “American influence predominating.”³¹² Still, despite such assurances, suspicions remained about Yerex’s allegiances. As the larger issue of dealing with the Americans on commercial aviation became an increasing concern for the British, these suspicions would undermine support for Yerex.

Ironically, before this would happen, Yerex would come closest to the British, both literally and figuratively. For a long time the British had wondered about Yerex, who was but a name that they had seen in reports. Yet they had sensed more. Despite the almost universal dismissal of Leche in Whitehall, British officials realized that his reports about TACA revealed a highly successful enterprise in an unpromising setting. Moreover, Yerex was clearly an impressive person in face-to-face meetings. He had won over not only Leche, but also numerous others, such as Lord Willingdon and Major McCrindle. As Hildred stated in response to a letter from yet another admirer, “everybody who comes into contact with Yerex seems to be captivated by him.”³¹³

Officials in Whitehall would soon have their opportunity to meet the legendary figure. In early February, Leche forwarded a letter from Yerex suggesting that the New Zealander visit London during upcoming imperial conferences on civil aviation. Leche enthusiastically supported the idea, stating it “would be almost criminal were His

³¹² minute by Burkett to Hildred, 22 March 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by Hildred to P.U.S., 25 March 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by C.O. 2 to D.O.C.A., 1 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by Burkett to Hildred, 1 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by Hildred to Burkett, 3 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM; minute by Burkett to Hildred, 10 September 1942, AVIA 2, 2312 (Part III, 1941-43), AM.

Majesty's Government not to avail themselves of his vast experience." Some in the Foreign Office considered the proposal to be without purpose, as the conference would have no bearing on Yerex's operations. Yet others did not want to close the door completely to Yerex, noting that the British should not discourage him "unduly."³¹⁴

The office would not make a decisive move until March, when it received a "push" of sorts. Leche had written Lord Vansittart, a member of the House of Lords, regarding Yerex. Vansittart promptly contacted the Foreign Office about the matter, noting that he was "profoundly dissatisfied" with the government over the issue of civil aviation. The response was rather bitter. One Foreign Office official vigorously defended the government, noting the difficulties in supporting Yerex's greater ambitions. Despite these problems, he declared, the government had instructed the Washington embassy to lend him its support in his applications for U.S. landing rights and had given BWIA the "fullest" support. In essence, Vansittart had little reason to be dissatisfied. Butler added that while Yerex was doubtless a "good man-possibly a genius," his companies were not British. The Foreign Office related these considerations to Vansittart, who reportedly accepted the explanation.³¹⁵

Still, the exchange with Vansittart did convince Foreign Office officials that it would be good for Yerex to visit, not to discuss "high policy" but to "chum up" with officials in the Air Ministry and other government branches, as well as to avail them of "his wide experience of how to deal with Mr. J. Trippe and the American civil aviation people generally." Thus, the Foreign Office proposed a visit to the Air Ministry. It emphasized that Yerex would not address high policy, but could provide the ministry and

³¹³ minute by H.H. Balfour to P.U.S., 3 July 1940, AVIA 2, 2312 (Part I, 1939-40), AM; minute by Hildred to P.U.S., 25 March 1942, AVIA 2, 2312 (Part III, 1941-43), AM.

³¹⁴ Leche to Eden, 5 February 1943, W3353/42/802, F.O. 371/36450; Yerex to Leche, 20 January 1943, W3353/42/802, F.O. 371/36450; minute by Maclean, 19 March 1943, W3353/42/802, F.O. 371/36450; minute by J.H. LeRougetel (H.M. Foreign Office), 19 March 1943, W3353/42/802, F.O. 371/36450; minute by MacLean, 20 March 1943, W3353/42/802, F.O. 371/36450.

³¹⁵ Lord Vansittart to Scott, 26 February 1943, W4220/42/802, F.O. 371/36450; minute by MacLean, 4 March 1943, W4220/42/802, F.O. 371/36450; minute by Butler, 5 March 1943, W4220/42/802, F.O. 371/36450.

others with his “unrivalled knowledge” about “the methods used in the matter of pushing civil aviation by American big business, by Juan Trippe and others, how they may be expected to react to this and that post-war policy contemplated by us, and how these policies might best be framed to take account of this.” The office added, “we might all derive some benefit from meeting this now almost legendary figure in the flesh.”³¹⁶

The Air Ministry was not, in the words of a Foreign Office official, “enthusiastic” about the idea. Hildred did state that the ministry would like to meet Yerex, having heard so much about him and knowing that he “could paint the underside of the picture in fairly bright colors.” Moreover, the visit would allow the ministry and Yerex to better understand each other’s point of view. But, he cautioned, Yerex likely would be disappointed that he would not be privy to high policy. Furthermore, he stated, “as long as BOAC remains our one chosen instrument we cannot encourage Yerex to extend the activities of BWIA outside the islands.” However, if the Foreign Office thought it desirable to bring him over, the Air Ministry did not want to give the impression that it did not want to see him.³¹⁷

The Foreign Office took this as a “go-ahead” to set things in motion. Yet the Air Ministry response raised old suspicions. Citing Hildred’s line about BOAC being the one chosen instrument, Scott conjectured that it might be “a pointer to the real cause of the Air Ministry’s somewhat ambiguous attitude towards Mr. Yerex.” He asserted that this statement was a “disguised form” of a desire which the Air Ministry had once openly stated, namely to run a trunk line in the western hemisphere. Because of this, they did not want Yerex “in the way.” Yet this did not make sense, Scott complained, because the obvious solution was to fuse Yerex’s operations with BOAC at a later date, rather than discourage them now. MacLean echoed these suspicions, noting that the ministry’s “dislike” for Yerex’s extensions had “blinded” them to the potential benefits of

³¹⁶ minute by N.B. Ronald (H.M. Foreign Office), 14 March 1943, W4220/42/802, F.O. 371/36450; Ronald to Hildred, 22 March 1943, W3353/42/802, F.O. 371/36450.

supporting Yerex's case for Miami landing rights. It was clear, he argued, that the ministry's attitude toward Yerex had been "somewhat disingenuous."³¹⁸

If the Air Ministry visualized a rival in Yerex, it was due in part to the activities of the Foreign Office itself. In September 1942, Leche returned to London for consultation. During his stay, he lobbied vigorously on Yerex's behalf. He repeated his arguments about the success of these operations and how they could serve as a nucleus for a British network in the region. However, he made an additional point. He noted that Yerex had been successful in operating an airline without subsidy and at a profit. He stated,

BOAC and its predecessor Imperial Airways has not had a very brilliant record and is unlikely to do any better in the future unless methods similar to those of Mr. Yerex are employed. It is therefore to be considered whether BWIA should not be affiliated to BOAC and Mr. Yerex taken into the latter as technical operational advisor or General Manager.

He was certain that Yerex could make BOAC successful if he were "in charge of the whole concern." He provided one reason he thought Yerex could do so: BOAC had "exaggerated ideas of safety amounting to luxury." Apparently, Yerex could trim the fat in this regard.³¹⁹

The reason that the statements were so significant is that the Foreign Office arranged for Leche to present his views to Air Ministry officials. Surprisingly, the ministry records are silent about this meeting, as well as the Foreign Office's inquiries about bringing Yerex to London. Thus, it is uncertain what exactly ministry officials were thinking about either matter, or their motives for their ambiguity toward Yerex. Yet the Foreign Office suspicions are plausible, particularly in light of Leche's lobbying. If there were any concerns about a potential rival, Leche no doubt fed them with his suggestions that the Yerex take over and remake the chosen instrument. Officials in BOAC were

³¹⁷ Bigg to Ronald, 6 April 1943, W3353/42/802, F.O. 371/36450; minute by MacLean, 1 April 1943, W5169/42/802, F.O. 371/36450.

³¹⁸ minute by Scott, 6 April 1943, W5169/42/802, F.O. 371/36450; minute by MacLean, 4 March 1943, W4220/42/802, F.O. 371/36450.

³¹⁹ minute by Leche, 10 September 1942, W12351/707/802, F.O. 371/32373; minute by Leche, 2 September 1942, W12532/707/802, F.O. 371/32373.

already sensitive to the shortcomings in their airline, and were, in the words of Alan Dobson, “exasperated” by what they considered to be government neglect of civil aviation. In fact, there was a mass resignation from the board of BOAC in March 1943, signaling the dissatisfaction and concern in the ranks. In the midst of this, the Foreign Office was proposing to bring a man to London who had charmed all he met and clearly had ambitions for a large service in the western hemisphere which would rival anything BOAC hoped to build. If this were not enough, the charmer had been suggested as a possible overseer for the struggling instrument. In essence, while the record says nothing on these matters, it is likely that Air Ministry officials viewed Yerex as a rival in the western hemisphere, and perhaps even at home.³²⁰ Leche’s comments could have done little to help Yerex’s cause with the ministry in this regard. Furthermore, his remark about safety and luxury would come back to haunt Yerex at a later date.

The Foreign Office, nonetheless, believed that it had the “go-ahead” to contact Leche about the idea. It was cautious, emphasizing that while the government would benefit from such a visit, it could not “reciprocate” by giving Yerex much information regarding “high policy.” The reason for this was understandable: the British had not yet set their policy. As Alan Dobson has well explained, at this juncture in their planning the British were trying to decide on the best course of action. Most British policymakers believed that the only hope for the British to compete with the Americans was under a system with strong international controls. What form these controls would take, and how they would gain American assent for them, remained undefined in early 1943. Thus, Yerex would be traveling to London amidst an air of uncertainty. Such could hardly have been the ideal situation, as he needed to make a decision as to whom to turn to for help. Yet Yerex accepted the invitation in late April.³²¹

³²⁰ Dobson, *Peaceful Air Warfare*, 130.

³²¹ Dobson, *Peaceful Air Warfare*, 131-35; Foreign Office to Leche, 21 April 1943, W5326/42/802, F.O. 371/36450; minute by LeRougetel, 8 April 1943, W5326/42/802, F.O. 371/36450; Leche to Eden, 26 April 1943, W6431/42/802, F.O. 371/36450.

After some delay, the two parties were able to make the necessary arrangements, and in June Yerex flew to the imperial homeland in a Liberator bomber. By the time he arrived, there were some interesting developments in London, specifically with regard to the Air Ministry. In early May, MacLean of the Foreign Office reported that an Air Ministry official stated that the “ministers” were suddenly “very interested” in meeting Yerex. MacLean speculated that perhaps Yerex was under consideration for a board position or perhaps the chairmanship of the airline.³²² Air Ministry records make no mention of such a notion, and they reveal little during the period leading up to Yerex’s visit. However, their words and actions during and immediately following his visit reveal a surprising degree of support for Yerex. While little is on the record for the weeks and months before the visit, the anticipation was clearly building in London.

As they promised, the British picked Yerex’s brain thoroughly about commercial aviation in the western hemisphere. The Brazabon Committee had him fill out an extensive questionnaire regarding future British aircraft development and sales in Latin America. Officials from the Department of Overseas Trade met with Yerex to discuss the potential market for British aircraft in Latin America. Officials in the Air Ministry and the Foreign Office also met with Yerex, and he had the opportunity to meet with private interests as well to discuss issues related to civil aviation. He was able to provide answers on a variety of issues, but those of greatest interest to the British pertained to American competition in the region and policy as a whole. Yerex declared that American domination in Latin American aviation was not a foregone conclusion. He claimed that American aircraft types had not performed as well as pre-war European makes, and that there was no predisposition on the part of Latin American interests for American aircraft. If the British could get aircraft and related materials to the region under terms favorable to the Latin Americans, they could compete. However, Yerex did warn, “a great effort

³²² Yerex, 151; minute by MacLean, 10 May 1943, W7012/42/802, F.O. 371/36450; minute by MacLean, 5 May 1943, W6431/42/802, F.O. 371/36450.

will be made to keep British equipment out of Latin America.”³²³ Still, he seemed hopeful that the British could compete in the region.

The British tried to avoid discussing matters of policy, but this did not stop Yerex from expressing his views. In his meeting with D.O.T. officials, Yerex emphasized that he wanted to ascertain British aviation policy for Latin America and what support he might expect. He also wanted to know if Lend-Lease restrictions would preclude the British giving him “second-hand” planes for services that operated within British territory or contributed directly to the war effort. He went into further detail in a letter to Hildred in mid-July. He acknowledged that he was well aware of the limitations that the British faced with regard to Lend-Lease. He pointed out, however, that there was a clause in the Lend-Lease agreement that permitted any service contributing to the war effort to be eligible for restricted materials. He claimed that BWIA and Aerovias Brasil fell within this guideline since both transported vital material for the U.S. military. He then mentioned that he had discussed his plans with various British interests, most notably the leading steamship companies, and that they had agreed to cooperate in the development of a network linking Canada with South America via the West Indies, and Europe and South America via West Africa. He then set forth his general views on commercial aviation. He opposed “complete Government control” of the airways, the exclusion of other British interests from aviation by a “chosen instrument,” and “appeasing” the Americans in South America and British territory. He believed that H.M.G. should support all airlines in which British subjects held substantial interests.³²⁴ In sum, Yerex wanted the British to support his ventures in the western hemisphere.

By and large, Yerex made a favorable impression on officials in London. Scott told Leche that what Yerex had had to say was “most interesting” to officials in London,

³²³ minute by MacLean, 28 July 1943, W10692/2/802, F.O. 371/36439; Second Brazabon Committee, “Notes on Aircraft Types for post-war by Mr. Yerex,” undated, W10692/2/802, F.O. 371/36439; “Note of Interview with Mr. Yerex,” 9 July 1943, W10629/42/802, F.O. 371/36451; Yerex to Hildred, 15 July 1943, W14596/42/802, F.O. 371/36452.

³²⁴ Yerex to Hildred, 15 July 1943, W14596/42/802, F.O. 371/36452.

and that the Air Ministry had found his knowledge “particularly valuable.” Yet if actions speak louder than words, then Scott’s brief note to Leche understated the case, for Yerex managed to rouse active support in Whitehall. After his meeting with the D.O.T., its officials promised to ask the Air Ministry to give Yerex some airplanes.³²⁵

In a surprising turn of events, the Air Ministry would prove quite responsive to this request. Yerex apparently made quite an impression on the ministry, and it became determined to assist him in some way. The newfound enthusiasm surprised the Foreign Office. While admitting that it was understandable that the Air Ministry was reluctant to let Yerex leave “empty-handed,” the Foreign Office pointed out that supplying planes to Yerex could cause problems with the United States. It suggested that the British offer the aircraft to Yerex, with the condition that they could not deliver until after the “first stage” in anticipated talks with the Americans regarding civil aviation. This, the Foreign Office noted, would require that the British take Yerex into their confidence, but it saw little risk in that. As it was, the Air Ministry pressed the Foreign Office to lend five obsolete bomber aircraft to Yerex, on the understanding that they would be only for BWIA operations and that the British notified the Americans up-front about this action.³²⁶

After his return to the Americas in August, Yerex would state that everyone in London had been “kind” to him. However, such kindness fell far short of what he had hoped for and needed. In mid-1943, Yerex could no longer proceed without a benefactor. His most immediate problem was aircraft. Leche had predicted in 1941 that Yerex had enough airplanes to maintain his operations for about two years. This statement was close to the mark. By 1943, Yerex was clearly in desperate need of new aircraft. According to American sources, the TACA fleet had dropped from 51 planes in 1940 to 34 planes by 1943. Of the aircraft remaining, all were present with the fleet in 1940, and included

³²⁵ Scott to Leche, 23 September 1943, W13164/42/802, F.O. 371/36452; “Note of Interview with Mr. Yerex,” 9 July 1943, W10629/42/802, F.O. 371/36451; Lord Brazabon to Sinclair, 14 July 1943, reference number 1286, BT 217, AM.

³²⁶ LeRougetel to Cribbett, 13 July 1943, W10209/42/802, F.O. 371/36451; LeRougetel to Cribbett, 9 September 1943, W10629/42/802, F.O. 371/36451.

many older planes, most notably 14 old Ford tri-motors. To put it quite simply, TACA's fleet was aging and needed almost immediate replacement. It is to the airline's credit that its traffic statistics dropped only slightly during this period. Still, in 1943 it carried significantly fewer passengers, and less freight and mail.³²⁷ Just to maintain what service it could, TACA had to increase the time each plane spent in the air. Between 1941 and 1942, each TACA plane increased its time in the air by 25%. According to one U.S. source, the company was repairing and getting planes back into service "as quickly as circumstances permit." While this was a credit to the airline, this intensified pace of activity increased the strain on older planes. Over the long term, this would quickly wear out the fleet. Over the short term, this increased the demand for parts. Yerex told British authorities he had been able to obtain parts from the United States. However, according to U.S. sources, while this may have been true, TACA was still running short on such things as propellers, landing gear, and tires. In mid-1943, there was a distinct possibility that TACA might have to cease some services due to a lack of parts and flyable aircraft. Admittedly, some of the shortage was due to Yerex's new airlines, but BWIA only had three Lockheeds, and Aerovias Brasil but one. In sum, Yerex needed planes badly for all of his operations. While TACA profits had increased by more than twofold between 1941 and 1942, it was an airline on the brink of grounding.³²⁸

While airplanes were his most immediate need, Yerex also must have realized that he could ill-afford to continue as an independent agent much longer in light of the growing interest in aviation policy. Quite simply, governments and airlines were already looking to the postwar period and their respective stakes in the international aviation

³²⁷ In 1940, the airline carried 92,000 passengers, 543,000 pounds of mail, and 27.6 million pounds of freight. By 1943, these numbers had dropped to approximately 62,000 passengers, 460,000 pounds of mail, and 21 million pounds of freight.

³²⁸ "Note of Interview with Mr. Yerex," 9 July 1943, W10629/42/802, F.O. 371/36451; John F. Hardie (U.S. Military Attaché for Air, Central America), Report A/H 3004, 1 January 1944, *Records of the War Department General and Special Staffs*, M.I.D. Regional File, 1922-44, Central America, Box 459, Record Group 165; Hardie, Report 609, 4 October 1943, M.I.D. Regional File, 1922-44, Central America, Box 459; Thomas A. Austin (U.S. Military Attaché, Honduras), Report 431, 15 March 1943, M.I.D. Regional

business. Conflict and competition were likely to increase in the coming months and years as airlines tried to stake their claims. Yerex could not have forgotten his treatment at the hands of Pan Am in 1940 and 1941. In mid-1943, there were few signs of a renewed “blitz” against TACA, as Pan Am was busy trying to meet the wartime demand for transport. Yet there was still an animosity between the two. As Thomas Hardie, U.S. military attaché to Guatemala reported, the two companies were engaged in constant rumormongering about each other. On occasion, one took action against the other. In July 1943, the British minister in El Salvador reported that the government there had withdrawn its operating permits for two of TACA’s aircraft that performed the international service between Central America and Miami. While TACA quickly resolved the matter, in light of the affected service and the circumstances surrounding the incident, the minister commented that Pan Am was likely behind the initial action.³²⁹

One might consider this to be business as usual in the TACA/Pan Am relationship. However, in mid-1943 Hardie reported that there had been a series of incidents that indicated that someone was sabotaging TACA’s planes. There were broken hoses, loosened control wires, and improperly installed parts. Individually, the mishaps probably would have merited little attention. But the fact that they occurred in so short a span of time worried TACA officials. While there was no indication of Pan Am being responsible, later reports would suggest that the incidents might be due to some commercial rivalry. Although Yerex made no mention of this, he was likely aware of the problems. Even if Pan Am was not behind them, it was doubtless that the competition in Central America would soon intensify. It is little wonder then that Yerex pressed the

File, 1922-44, Central America, Box 459; Trinidad to Secretary of State for the Colonies, 28 August 1943, W12519/42/802, F.O. 371/36451.

³²⁹ Hardie, Report A/H 3004, 1 January 1944, M.I.D. Regional File, 1922-44, Central America, Box 459; Joint (H.M. Minister, El Salvador) to Eden, 3 July 1943, W9803/42/802, F.O. 371/36451; Joint to Eden, 9 July 1943, W10074/42/802, F.O. 371/36451.

British for some statement of policy concerning his enterprises during his visit to London.³³⁰

Yerex knew that he had to make a decision. He had little hope that the Americans would accept him “as is.” In a conversation with one British official, he noted that Berle was “considerate” and willing to listen, but that Burke, an “Irish-American,” was definitely anti-British and opposed to him. The bad news, according to Yerex, was that Burke had much influence in the department. Yerex was pleasantly surprised in June when he learned that the CAB had granted him a temporary permit into Miami, and expressed the hope that it might become permanent. Yet this brief burst of optimism was gone by the time he reached London, where he told officials that the Americans were out to dominate the hemisphere. As for his operations, the Americans were pressuring him to sell by offering the promise of new planes in exchange for “Americanization.” He feared that if he did not take the offer, he would be “squeezed out.”³³¹

Thus, when he went to London in mid-1943, Yerex was giving the British one last chance. He was not overly optimistic that he would get much help. This may have been due in part to the cautions that the British had given about being unable to discuss high policy. Yet he also must have had his doubts about the British because of his dealings with them during the early part of 1943, specifically concerning BWIA. While his acceptance of the limitations that the Americans had demanded regarding BWIA’s contract should have permitted its implementation, further obstacles arose. In February, the governor of Trinidad sent a dispatch to the Colonial Office expressing concerns about the distribution of the minority shares in the company. In order to insure that the airline was in “British” hands, the governor wanted the colonial government to purchase one-half of these shares, about 20% of the company. After a three-week delay, the Colonial

³³⁰ Hardie, Report SI-23, 5 July 1943, M.I.D. Regional File, 1922-44, Central America, Box 459; Hardie, Report A/H 3030, 5 May 1944, M.I.D. Regional File, 1922-44, Central America, Box 459.

³³¹ Stockdale to Bigg, 19 March 1943, W6818/42/802, F.O. 371/36451; Yerex to Leche, 14 June 1943, W10209/42/802, F.O. 371/36451; “Note of Interview with Mr. Yerex,” 9 July 1943, W10629/42/802, F.O. 371/36451.

Office responded, stating that it opposed such a purchase, as it might prove “embarrassing” if the government needed to change its policy toward the airline. At the governor’s insistence, however, the office relented and in May the Governor’s Council in Trinidad agreed to purchase 20% of BWIA’s stock.³³²

However, there was one issue that raised Yerex’s worst fears. In compelling the Americans to back down on the issue of BWIA’s contract, the British had agreed to amend the contract to conform to future international agreements. They inserted a new clause in the contract that stated that the government could modify or terminate the contract as necessary. When Yerex found out about this, he balked. As Leche reported in an April dispatch, the New Zealander considered this new proviso as a “breach of good faith.” He believed that the Colonial Office was trying to render the deal “worthless” and expressed suspicions that a “stronger group” in London was trying to “take over” the operation. He had already pulled one plane from the service, and would close it down completely if necessary. The Colonial Office defended its actions, asserting that it was not acting in bad faith but out of political necessity dictated by the American response. The two sides finally reached a compromise. The government dropped the provision about termination in exchange for recognition that it could curb the airline’s operations through modification. Finally, on May 11, 1943, after years of work, haggling, and doubt, Yerex was able to officially incorporate BWIA as a limited company. Yerex expressed a surprising bit of optimism in a June letter to Leche, stating that he felt “much better” now that everything with BWIA was resolved, and he wanted the airline to have “a place in the sun.” Of course, permission to land in Miami added to his optimism.³³³

³³² Yerex to Leche, 14 June 1943, WW10209/42/802, F.O. 371/36451; Clifford to Secretary of State for the Colonies, 18 February 1943, W3281/42/802, F.O. 371/36450; Secretary of State for the Colonies to Clifford, 5 March 1943, W3281/42/802, F.O. 371/36450; Clifford to Secretary of State for the Colonies, 11 March 1943, W3281/42/802, F.O. 371/36450; Secretary of State for the Colonies to Clifford, 15 March 1943, W3281/42/802, F.O. 371/36450; Clifford to Secretary of State for the Colonies, 6 May 1943, W3281/42/802, F.O. 371/36450.

³³³ Stockdale to Secretary of State for the Colonies, 13 March 1943, W4268/42/802, F.O. 371/36450; minute by MacLean, 15 April 1943, W5735/42/802, F.O. 371/36451; Leche to Eden, 17 April 1943, W6021/42/802, F.O. 371/36451; Foreign Office to Leche, 1 May 1943, W6021/42/802, F.O. 371/36451;

Still, when he arrived in London, Yerex needed planes and support. He came with the hope that he might get some American aircraft that were reportedly available. The Air Ministry had decided long before that he could not have these, but decided not to inform him of this until he arrived. Still, it was willing to help. After discussions between ministry officials and Yerex, the latter submitted a request for 25 “obsolescent” aircraft in mid-July. Apparently, British officials suggested the Wellington, an older bomber design, as a suitable candidate for this. In his request, Yerex acknowledged this, but added that “more suitable types” would be welcome. He wanted 5 of the planes for BWIA, 10 for Aerovias Brasil, and 10 for other operations he had in mind for Latin America. After some discussion in Whitehall, with the Foreign Office adding a cautionary voice, the Air Ministry suggested that the British make 5 Wellingtons available for BWIA. While a small gesture, it may have been more than Yerex expected. From the British perspective, they thought they had done something to please him.³³⁴

Soon after Yerex returned to the Americas, disaster struck BWIA. A series of accidents grounded all of its aircraft, and in late August, it had to suspend its services. One aircraft was a complete loss, another was out of commission for three months, and the third would be available only in mid-September. Suddenly, Yerex’s need for planes became very immediate. He could ill-afford to divert aircraft from his other operations, and while he had the British promise of five Wellingtons, these were still in Britain and would require some time to convert into transports and ship to the West Indies. Officials in the West Indies warned that the stoppage would cause “serious dislocation” in government and business affairs in the region and would also damage British prestige. The government in Trinidad suggested that the British ask the Americans for two airplanes—either Lockheeds or DC-3s. Within a day the Foreign Office had proceeded with

Clifford to Secretary of State for the Colonies, 17 April 1943, W6109/42/802, F.O. 371/36451; Yerex to Leche, 14 June 1943, WW10209/42/802, F.O. 37136451; Davies, *Airlines of Latin America*, 132.

³³⁴ minute by Jones (ADOCA) to DGCA, 29 May 1943, AVIA 2, 2312 (Part IV, 1943-48), AM; Yerex to Hildred, 15 July 1943, W14596/42/802, F.O. 371/36452; LeRougetel to Cribbett, 9 September 1943, W10629/42/802, F.O. 371/36451.

this suggestion. After almost three weeks, the U.S. government stated that it would be willing to lend BWIA two old B-18 aircraft until the Wellingtons arrived. Officials in Whitehall were grateful for the loan, and informed Yerex of the news. To their surprise, he rejected the B-18s as inadequate. To their shock, he now stated that he did not want the Wellingtons either. He cited reports that the Wellington performed poorly with one engine, and pointed out that BWIA could hardly afford this in light of its overwater operations. He asked the British to help him obtain Lockheeds or DC-3s.³³⁵

Officials in Whitehall were incredulous and angry. The Air Ministry was particularly upset, claiming that Yerex's rejection of the Wellingtons represented a "complete volte-face." He had known of their single-engine performance at the time of his visit to London, and still had asked for some. The ministry was upset because it had risked "embarrassment" in approaching the Americans on this matter. In fact, it had expected that the Americans might oppose the British supplying Yerex with Wellingtons. It had been pleasantly surprised when General Arnold had told them that the Americans had no objections, as long as there were no demands for American aircraft. Then, when BWIA had its crisis, it had approached the Americans for aircraft and received a gracious offer of the B-18s. The ministry was upset that after all these efforts, Yerex was now voicing these objections.³³⁶

Yerex did have sound reasons for his objections. First, there was the problem of the aircraft's single-engine performance, which no British official denied. Second, the British were proving difficult to deal with in arranging for the delivery of this aircraft. Originally, they stated that they would convert the bombers into transports in Britain.

³³⁵ Colonial Government, Trinidad to Secretary of State for the Colonies, 28 August 1943, W12519/42/802, F.O. 371/36451; Stockdale to Secretary of State for the Colonies, 30 August 1943, W12519/42/802, F.O. 371/36451; Jardine to Secretary of State for the Colonies, 30 August 1943, W12519/42/802, F.O. 371/36451; Foreign Office to Washington Embassy, 29 August 1943, W12519/42/802, F.O. 371/36451; R.A.F. delegation (Washington) to Air Ministry, 18 September 1943, W13764/42/802, F.O. 371/36452; Air Ministry to RAFdel, 22 September 1943, W13764/42/802, F.O. 371/36452; RAFdel to Air Ministry, 25 September 1943, W13764/42/802, F.O. 371/36452.

However, after months of delay, the Air Ministry suddenly decided that it would send the unmodified Wellingtons to Trinidad with conversion plans and let BWIA do the work. One BWIA official (not Yerex) noted that there would be great difficulties with this. First, it would require equipment and facilities that were unavailable in Trinidad. Second, BWIA had its existing maintenance facilities set up for American aircraft; it would take some work to convert them to maintain Wellingtons. As for the British claim of a “volte-face” by Yerex, they ignored the fact that Yerex had displayed some hesitancy in accepting the Wellingtons in the first place, having expressed a desire for “more suitable types.” Thus, the British should not have been so surprised nor upset. However, they did not see it that way. The Air Ministry stated that the British would not back Yerex’s request for American planes, and that if he did not want the Wellingtons, “we do-and badly.” Yerex politely thanked the British for their efforts, but stated that he would proceed as best he could with what he had. By mid-September, one Lockheed was back in the air, and the other was to return in November.³³⁷

The crisis had passed, but the damage was done. Yerex’s refusal of the aircraft, however sound, undermined any goodwill he had accumulated during his visit to London. In turn, Yerex was now thoroughly disillusioned with the British. It was quite apparent that they would not be able or willing to provide the assistance he needed. Yerex returned to the United States and, in the words of one British official in the Americas, began “rushing about” the United States for capital. As his nephew tells the story, in the midst of this rushing about he visited Howard Hughes in California. Yerex viewed him as a potential investor who, as the majority owner in TWA, held great sway with the aircraft manufacturers, and thus might be able to get Yerex some airplanes quickly. As the story

³³⁶ Air Ministry to RAFdel, 28 September 1943, W13689/42/802, F.O. 371/36452; Air Ministry to RAFdel, 21 July 1943, W13164/42/802, F.O. 371/36452; RAFdel to Air Ministry, 31 July 1943, W13164/42/802, F.O. 371/36452.

³³⁷ Acting Governor, Trinidad, to Secretary of State for the Colonies, 12 September 1943, W13194/42/802, F.O. 371/36452; Secretary of State for the Colonies to Clifford, 14 October 1943, W14362/42/802, F.O. 371/36452; Clifford to Secretary of State for the Colonies, 9 October 1943, W14362/42/802, F.O. 371/36452.

goes, Yerex was looking to negotiate a business deal, but dealing with Hughes was anything but business as usual. The New Zealander had to attend various social events, and unknowingly almost “picked up” Hughes’ latest flame. However, despite his babe-in-the-woods experience in the social circles of Hollywood, he was able to do business, and eventually reached a deal with Hughes, among others. On October 5, 1943, Lowell Yerex sold 70% of his shares in Inter-American Airways to various American interests, among them such luminaries as TWA, Time Incorporated, and the Adams Express Company. This gave U.S. interests 70% of TACA, 35% of Aerovias Brasil, and 28% of BWIA. However, the most important fact about the deal, in light of Yerex’s previous experience with American Export, was that because no one company held a majority of the stock, the sale was not subject to CAB approval. Thus, Yerex “Americanized” his company while avoiding previous pitfalls.³³⁸

David Yerex states that his uncle “seems abruptly to have given up all idea of developing air services on behalf of the British.”³³⁹ The sale certainly seemed abrupt to observers at the time. Yet it may not have been as abrupt nor the severance from the British as complete as one might think. Admittedly, Yerex himself told a British official that he had only begun negotiations with TWA after his return from London. Yet it was clear that he had gone to Britain with few illusions, for, as he told his old friend Leche before he left, he had little hope that the British could give him what he needed. Moreover, while he had been willing to ask for the Wellingtons, he clearly had some reservations about them from the start. Perhaps he was so surprised by the offer that he grasped at it as an indication of support, or perhaps he did not know how to reject it graciously at the moment. It is interesting to note that he asked for 25 of them, tying this request to his operations outside the British West Indies. Perhaps the purpose of his request was to test the British, to see to what extent they might be willing to support him.

³³⁸ Yerex, 153-4; H. Foote (Press Attaché, Guatemala), memo, 28 September 1943, W14746/42/802, F.O. 371/36452; “First Papers for TACA,” *Time* 42:16 (18 October 1943): 80-2.

³³⁹ Yerex, 153.

When they offered only 5, and these only for BWIA, he must have realized that the British would never stray far in the western hemisphere. Yet this was a truth that had long been evident, and one can scarcely doubt that it took Yerex by surprise.

Still, he did not break completely with the British. While TACA was firmly under the control of U.S. interests, and while Aerovias Brasil was decidedly not under British control, BWIA remained in the British fold. Yerex, in his above-mentioned discussion with the British official, emphasized various points that refute the idea that he had given up completely on his vision for the British. He stressed that the holding company did not have majority interest in BWIA, and that that airline was firmly in British hands. Moreover, he had no intention of changing his nationality. He admitted that his arrangements with his American partners precluded him from developing a “purely” British enterprise, but that he could continue to work with companies that had “important” British holding interests. He talked “in general terms” about a future time when he could develop lines between Europe and South America with British interests. Yet his next statement was the most telling. Yerex commented that his “ideal for the future is a British-American combination which would be equally acceptable on both sides of the Atlantic.”³⁴⁰

Yerex endeavored to explain further his position in a letter to Hildred. He stated that upon his return from London, he had realized several things. One, the British would have nothing to do with aviation in Latin America at this time, and they had made no provisions for commercial aircraft. Two, “it would serve no useful purpose for me to continue a one-man crusade for British aviation in South America when no support was in view.” Three, the Americans were out to dominate the skies of the Western Hemisphere, and he stood to lose the business that he had built. Thus, he had struck his bargain. He was “sorry I have had to give up my one-man crusade,” but the pressure on him to sell had simply been too great. He was now the only Britisher on an Executive

³⁴⁰ Jones (RAFdel) to Air Ministry, 15 October 1943, AVIA 2, 2312 (Part II, 1941-43), AM.

Committee of five and a Board of Directors of nine. He noted that his colleagues were “realistic business men” who “highly approve” of his decision to retain his British citizenship. He assured Hildred that the deal would not interfere with his current British commitments, and mentioned that he had in mind a future proposal for the British “that might be of interest with regard to our project overseas operation from South America.” He apologized for the “unnecessary work and trouble” with regard to the Wellingtons, but reiterated his objections to them while adding that they did not compare well with Pan Am’s planes in service.³⁴¹ Thus, Lowell Yerex had turned to the Americans, but he had not turned his back on the British, at least in his own mind.

The initial reaction amongst British officials was mixed. While hardly positive, it did not lack understanding for Yerex’s position. One Foreign Office official commented that this might explain the rejection of the Wellingtons, since it was apparent that Yerex had decided to “cut loose from the British connexion, aircraft and all, and become ‘American’.” Yet MacLean also admitted that BOAC and the Canadians had never offered Yerex the monetary support he sought. Perhaps an Air Ministry official best expressed the sentiment in Whitehall in a brief statement: “Yerex has been trying to cash in on T.A.C.A. for the last two or three years-his first interest is ‘Yerex’-and who can blame him.” While the British clearly did not like the sale, they realized that Yerex had little other choice. They were concerned about one thing: who would control BWIA? At the moment, Air Ministry officials were confident that they had “safeguarded” British control over the airline, and did not seem overly concerned about this issue.³⁴² However, there would soon be a tidal wave of fear about this matter, and recrimination against Yerex.

In the United States, the sale made headlines in the press. In general, the tone of the articles was positive. *Time* magazine reported that Yerex had finally succeeded in his

³⁴¹ Yerex to Hildred, 21 October 1943, W17443/42/802, F.O. 371/36453.

long efforts to “take out U.S. naturalization papers for his growing brood of airlines.” *American Aviation Daily* called it “one of the most important airline financial deals in recent years,” as it placed control of TACA in American hands. Yerex himself noted that the report in the *Wall Street Journal* treated the deal as a victory of U.S. interests over British interests.³⁴³ Despite such coverage, there was little rhapsody in the U.S. government. In the coming months, it would become apparent that not all regarded this as a complete victory, for Yerex still remained in the picture.

Lowell Yerex was now ostensibly on the “American” side. To those in Washington and London, he had given control of his enterprise over to U.S. interests, and he was looking to them to provide what he needed. Yet Yerex did not regard himself as an “American,” as evidenced by his refusal to take out American citizenship. He no longer regarded himself as purely British, either. As he considered his position in the scheme of international aviation, Yerex saw a unique opportunity for himself. In his conversation with British officials, Yerex revealed his ideal: an Anglo-American combination acceptable on both sides of the Atlantic and covering both sides as well. Of course, he was a, if not the, logical candidate to oversee such an enterprise. Here was what Lowell Yerex had wanted for so long: a chance to define himself and his operations as neither exclusively British nor exclusively American. He could borrow from the best of both worlds: American planes and British (Yerex) leadership. He could build a line that was a commercial success while serving the noble interests of the empire. He could be Juan Trippe and Cecil Rhodes in one person. He could be a hybrid, a bridge between the longtime rivals and recent allies. He could live and move in both circles. Unfortunately for Yerex, the coming months and years would not be a time for airline operators who moved freely between the two powers. Lines of battle were forming and one had to

³⁴² minute by MacLean, 19 October 1943, W14503/42/802, F.O. 371/36452; minute by MacLean, 27 October 1943, W14746/42/802, F.O. 371/36452; minute by W.W. Burkett (DOCA) to DGCA, AUS (CA), CO2, 12 October 1943, AVIA 2, 2312 (Part III, 1941-43), AM.

choose sides. This was not his strong suit, and it would prove impossible for him to make a choice, in part due to his nature, in part to his history. Unbeknownst to him, Lowell Yerex was beginning his long exit from the world stage of aviation.

³⁴³ Davies, *Airlines of Latin America*, 154; "U.S. Interests Acquire Control of TACA," *American Aviation Daily* 29:36 (13 October 1943): 208-9; Yerex to Hildred, 21 October 1943, W17443/42/802, F.O. 371/36453.

CHAPTER SEVEN: THE “AMERICAN”

Lowell Yerex had reached what R.E.G. Davies has called “the zenith of his ambition.” Seemingly assured of U.S. airplanes and support, he could now embark on his long-desired expansion in Latin America. More importantly, he could pursue his vision of an Anglo-American aviation alliance. Little did he realize that he was at another American mirage. Despite the fact that he had “Americanized,” Yerex was about to lose any support he had in Washington. The Anglo-American rivalry was reviving, and the Americans were taking the hard line against anything British; to them, Yerex was still British. The New Zealander would soon discover that selling out to the Americans had done nothing to improve his fortunes in the United States. Moreover, it had completely undermined his credibility with London, which would move decisively to oust him from its aviation interests in the West Indies. In essence, Lowell Yerex was about to lose what he most desired: control of his own destiny. His vision would prove dramatically unrealistic in the not-so-friendly skies of 1944.

Yerex’s fall from grace began in the British West Indies. On November 4, the governor in Trinidad, Sir Clifford, sent a lengthy dispatch to London about Yerex. “I had confidence in the loyalty and *bona fides* of Yerex,” Clifford began. “This confidence appears to have been misplaced.” He noted that the recent deal had left only 28% of the holding company in British hands, “if Yerex can be so described!” The New Zealander had informed the directors of BWIA that he was transferring 40% of the stock in their company to his holding company, which was under American control. Reportedly, he was stating that such a move was necessary to assure the supply of new planes. Moreover, he was hinting that there would need to be new pilots, “apparently foreign personnel.” In

essence, the governor claimed, Yerex was telling the board of BWIA that they must “sell their souls” to get the planes they needed. He reported that the board members were not ready to allow “Yerex and his foreign associates” to take control of the airline. They were upset that he had negotiated such a deal without consulting them, and they were prepared to resist him. What they needed from London were assurances of British planes and personnel.³⁴⁴ Clearly, the governor regarded Yerex as a turncoat and a threat to British aviation interests.

This correspondence prompted a quick response in Whitehall. The Colonial Office declared that Yerex had thrown in his lot with the Americans, and while his deal complied with the “letter” of the BWIA agreement (that 60% of the company should be in British hands), it was clearly contrary to the “spirit” of the agreement. Thus, the British should eliminate him as the dominant influence in the line. The Air Ministry agreed. However, the two disagreed as to the best course of action. The Colonial Office proposed that the British government refuse to sign the contract for BWIA, which still awaited official approval. The Air Ministry thought that the airline should issue additional stock to the other shareholders, thereby making Yerex a minority shareholder. The Foreign Office, for its part, was not so sure about the proposed courses of action. One official noted that both of the other branches were assuming that Yerex would act in the interests of TWA. However, he did not believe that Yerex “must be regarded as an American.” The danger with either course of action was that they would alienate Yerex, who might be very well worth keeping. J.H. Le Rougetel echoed these sentiments. He also pointed out that the board members would have to approve any issue of new stock in a hasty manner before Yerex, who held majority control in the company, could veto the idea and/or “sack” the board. Unfortunately, such a move would hardly appear to be “respectable” to outside observers. Le Rougetel proposed a third option. The British should approach

³⁴⁴ Clifford to Secretary of State for the Colonies, 4 November 1943, W15339/42/802, F.O. 371/36452.

Yerex in a frank manner and propose that he sell some of his shares to British interests. If he refused, the British would be justified in taking action against him.³⁴⁵

The crisis led to a hastily called interdepartmental meeting on November 12. The Colonial Office, the Air Ministry, the Foreign Office, and the Treasury all agreed that they had to maintain a service in the region, and that they must be ready to divert whatever resources were necessary to accomplish this. Some disagreement existed about how to deal with Yerex. The Colonial Office now believed that a refusal on the part of the British to sign the BWIA contract could present a lot of problems. The British would have no service in the region and would have to start all over again to establish a new one. The move also could prejudice any future operations in the hemisphere, as it would likely alienate Yerex and his American backers. Furthermore, Yerex could file a claim for financial compensation for his troubles. If the British simply chose to issue new stock, the company and its services would remain in place, there would be less recrimination against the British, and they would not have to compensate Yerex. It would also provide an opportunity to test Yerex as Le Rougetel had suggested. Clifford could meet with Yerex to explain the concerns about British control of the company and to ask his support for the issuance of further stock. If the New Zealander acquiesced, "his continued cooperation will be useful to British civil aviation interests in the Caribbean and in Central and South America." If he did not, the other company board members could issue the stock, and the British could wash their hands of him. Yet now the Air Ministry performed its own "volte-face." It did not like the idea of issuing stock should Yerex balk. The American press would undoubtedly hear of the move and castigate such "sharp" and "high-handed" practices. The ministry now suggested that if Yerex refused to cooperate, the contract remain unsigned. It would rather pay Yerex than face American criticism. The Foreign Office supported this stance, but the Colonial Office wished to

³⁴⁵ Bigg, memo: "British West Indian Airways," undated, W15606/42/802, F.O. 371/36452; minute by MacLean, 10 November 1943, W15606/42/802, F.O. 371/36452; minute by LeRougetel, 11 November 1943, W15606/42/802, F.O. 371/36452.

avoid a break “at all costs.” Thus, it proceeded to issue its instructions to Clifford in mid-November.³⁴⁶

Yerex would never get to take the test. Initially, Clifford informed the Colonial Office that he thought Yerex might be willing to compromise, and suggested that it would be wise to offer him a way to break with the Americans “gracefully.” He proposed that the board of BWIA approve the transfer of stock to the TACA holding company, and even sell a portion of the new shares to the holding company. Yerex could demonstrate his support for the British by endorsing the issuance of the new stock, while appeasing his American partners. Meanwhile, the British would establish firm control of the company. The Colonial Office responded that it was willing to permit the transfer of stock to the holding company, but not the sale of new stock. However, this became a moot point as Clifford performed a quick about-face of his own. In early December, he informed the Colonial Office that he had suddenly realized that the proposed approach to Yerex might prove dangerous. The New Zealander might insist upon a proportional distribution of the new shares, which would leave he and his American partners in control. If he did, the governor would have to tell him that the British did not trust him, and this might precipitate a break. Clifford now suggested that the board immediately issue the new stock, and present Yerex with a *fait accompli*. The governor argued that there were justifications for such action. He could claim that the need for new capital was urgent in order to obtain planes and spares, and he could point out that Yerex had not been prompt in coming to Trinidad to deal with this and other urgent matters.³⁴⁷

The Colonial Office supported the plan. The Foreign Office also backed it, but asked that the governor also inform Yerex that if he pressed for the transfer of the shares

³⁴⁶ Bigg, memo: “British West Indian Airways,” undated, W15796/42/802, F.O. 371/36452; minute by LeRougetel, 17 November 1943, W16010/42/802, F.O. 371/36452; minute by [unnamed], undated, W16011/42/802, F.O. 371/36452; Secretary of State for the Colonies to Clifford, 17 November 1943, W16011/42/802, F.O. 371/36452.

³⁴⁷ Clifford to Secretary of State for the Colonies, 18 November 1943, W16066/42/802, F.O. 371/36452; Secretary of State for the Colonies to Clifford, 19 November 1943, W16066/42/802, F.O. 371/36452; Clifford to Secretary of State for the Colonies, 3 December 1943, W16908/42/802, F.O. 371/36453.

to TACA, he would have “forfeited the confidence of His Majesty’s Government.” However, even before they could communicate this to Trinidad, Clifford reported that the board had proceeded with the issuance of stock. In essence, they presented London with a *fait accompli*. All officials in Whitehall could do was approve the action and add the tougher stipulation that Yerex was not receive any of this stock. The Foreign Office feared that this might make Yerex “extremely resentful,” but hoped that perhaps he would welcome the action as an excuse to extricate himself from his American commitments.³⁴⁸

These were not the only activities of which Yerex was unaware. Clifford had already told the Colonial Office that if the board were to resist Yerex, it would need airplanes. Clifford related that the board members shared Yerex’s concerns about the Wellingtons and suggested that the British provide converted Avro Ansons instead. Initially, the Air Ministry did not think these suitable, but as the demands from the Caribbean continued, Whitehall acquiesced. By late November, it was making arrangements for the immediate delivery of three Ansons to the airline. Yerex himself had been interested in acquiring Anson aircraft for BWIA, and apparently discovered that they might be made available, for he reportedly was on his way to Canada in mid-December to oversee their conversion to transports. Clifford quickly asked the Air Ministry to instruct the manufacturers in Canada that Yerex did not have the authority to direct the work on the Ansons, and that the board was sending its own representative, Kenneth Murray, to take charge of the matter. Yerex, of course, was unaware of the change taking place in Trinidad.³⁴⁹

³⁴⁸ minute by LeRougetel, 6 December 1943, W16908/42/802, F.O. 371/36453; Clifford to Secretary of State for the Colonies, 4 December 1943, W16908/42/802, F.O. 371/36453; Secretary of State for the Colonies to Clifford, 5 December 1943, W16908/42/802, F.O. 371/36453; Foreign Office to H.M. Embassy, Washington, 6 December 1943, W16908/42/802, F.O. 371/36453; Secretary of State for the Colonies to Clifford, 21 December 1943, W17527/42/802, F.O. 371/36453.

³⁴⁹ Clifford to Secretary of State for the Colonies, 10 November 1943, W15606/42/802, F.O. 371/36452; Bigg, memo: “British West Indian Airways,” undated, W15796/42/802, F.O. 371/36452; Clifford to Secretary of State for the Colonies, 26 November 1943, W16558/42/802, F.O. 371/36453; Secretary of State for the Colonies to Clifford, 27 November 1943, W16558/42/802, F.O. 371/36453; Secretary of State for the Colonies to Clifford, 3 December 1943, W16705/42/802, F.O. 371/36453; Clifford to Secretary of State for the Colonies, 14 December 1943, W17233/42/802, F.O. 371/36453.

Not all in Whitehall were happy with the way the situation was developing, nor were they without sympathy for Yerex. One Foreign Office official believed Clifford had proposed the *fait accompli* because he did not want the “unpleasant duty” of confronting Yerex. Moreover, he worried, there was a real danger that Clifford might not try to determine whether Yerex was acting in “good faith” unless Whitehall pressured him. As December passed, other officials reached the conclusion that no one in Trinidad had bothered to inform Yerex of the changes taking place. In fact, Cribbett in the Air Ministry, along with a Treasury official, believed that Yerex had “been very badly handled by the C.O. and the Governor of Trinidad.”³⁵⁰

More importantly, not everyone was in agreement as to how to deal with Yerex’s operations as a whole. After all, one had to consider his suggestion regarding an Anglo-American combination. In late October, these plans caught the attention of Lord Beaverbrook, who had assumed the chair of the Committee on Civil Air Transport, which had the responsibility of developing Britain’s overall commercial aviation policy. Beaverbrook contacted both the Foreign Office and the Air Ministry on this matter. He reported that TWA had applied to the CAB for a permit to operate a service between New York and Cairo. Beaverbrook speculated that such a service might tie in with Yerex’s Aerovias Brasil. Beaverbrook was interested in cooperating with the Americans. However, he had his doubts as to whether the Americans would prove cooperative, and he also had his doubts about Yerex. As Alan Dobson points out, Beaverbrook was a staunch imperialist who would give no more ground than necessary to the Americans. Any service he would support would have to be a *bona fide* British interest. In Beaverbrook’s mind, Yerex did not qualify as such. In response to Yerex’s proposals for a combined service, Beaverbrook declared, “these proceedings are detrimental to our interests” and instructed that there was to be no response at all to the New Zealander.

³⁵⁰ minute by LeRougetel, 6 December 1943, W16908/42/802, F.O. 371/36453; minute by MacLean, 21 December 1943, W17527/42/802, F.O. 371/36453.

Furthermore, he urged that BOAC establish a South Atlantic service to safeguard British interests.³⁵¹

Not all in the Air Ministry were in agreement with Beaverbrook. Hildred noted that the British lacked the planes and crews to establish such a service, and even if they did not, they would prejudice their aircraft assignments from the United States. Furthermore, Yerex would certainly be ready to start his service long before BOAC could. Hildred speculated that some of Beaverbrook's problems with Yerex stemmed from a note by John Booth, a shipowner who had expressed an interest in establishing an airline to South America and who claimed to have discussed with Yerex the possibility of collaboration. As Hildred put it, "Mr. Booth was just about to put his foot on Yerex's neck when Yerex moved his neck. He [Yerex] had the cheek to interfere with an Englishman's planning." Regarding Yerex's selling out to the Americans, Hildred declared "he knows his own business and I think he was right to let the Americans buy in rather than fight them." He noted that the Parliamentary Under-Secretary for Air did not regard the latest move as detrimental to British interests, and that he would rather back a service by Yerex than one by Pan Am. Hildred's own view was that "we should hold on to all of our cards" and "make any approach we can to foreign countries either alone or hand-in-hand with America." He believed that the British would not be able to find out the American stance on an international authority without dealing with the issue of American interest in Yerex first. At the moment, the British were in no position to start a service to South America, and their best option was to "play with Yerex if he is willing." Hildred proposed that that he send "a friendly letter" to Yerex to explore the possibilities.³⁵²

Hildred received a rebuff from various Air Ministry colleagues. H.H. Balfour characterized Yerex as "a pretty smart customer" who, during his visit to London, had

³⁵¹ Lord Beaverbrook (Lord Privy Seal) to Richard Law (H.M. Foreign Office), undated, W15339/42/802, F.O. 371/36452; Beaverbrook to Sinclair, 29 October 1943, AVIA 2, 2333, AM; minute by MacLean, 22 December 1943, W17443/42/802, F.O. 371/36453.

“plead” for aircraft and professed his antagonism for American interests. Then, upon his return to the United States, had rejected the Wellingtons, tried to use the British to get U.S. transports, and sold out to TWA. Balfour declared, “Yerex is a bad card on which to base the play of our hand,” and HMG would best serve British interests by “getting clear of Yerex, now he has revealed himself once again in this BWIA affair.” Another official stated, “Yerex’ recent manoeuvres have disappointed me as much as anyone and I would certainly not advocate that we should build our South American plans on him.”

Moreover, “we should from now on be very careful in our dealings with him.” However, this official did agree that a letter to Yerex might be useful in discovering what the New Zealander had in mind for a joint service. H.H. Dunnett, however, suggested that it would be best to clear this with Beaverbrook. Hildred lamented that such clearance was unlikely to come, as both the Lord Privy Seal and the Colonial Office wanted “a declaration of war in two spheres of Yerex’s activity.” Hildred considered this a “mistake,” for while Yerex “may be a crook...he holds out an olive branch.” He noted that Yerex was proposing Anglo-American cooperation, which the Ministry itself had been considering for some time. Hildred himself contacted Beaverbrook’s office on November 8, but the Lord Privy Seal rejected the idea. The Air Ministry acquiesced, and the olive branch was left hanging.³⁵³ Clearly, not all in the ministry were happy with this, yet even Yerex’s strongest backers now had their doubts about him, as evidenced in Hildred’s reference to a “crook.”

With the Air Ministry now deferring to Beaverbrook, it took his line on the matter of a South American service. On November 22, it held an inter-departmental meeting to consider the idea of establishing a joint Anglo-American venture in the western hemisphere. A week later, the ministry informed the Foreign Office that it had discovered

³⁵² minute by Hildred to P.U.S., 3 November 1943, AVIA 2, 2333, AM.

³⁵³ H.H. Balfour to P.U.S., 7 November 1943, AVIA 2, 2333, AM; H.H. Balfour to Secretary of State for Air, 2 November 1943, AVIA 2, 2333, AM; minute by [illegible] to U.S. of S. (C), 4 November 1943, AVIA 2, 2333, AM; minute by H.H. Dunnett to P.U.S., 4 November 1943, AVIA 2, 2333, AM; minute by

that the Canadians had an interest in such a venture, and that it was now considering an Anglo-American-Canadian venture. Regarding the possible TWA/Aerovias scheme, the ministry stated that it was “causing us some concern.” Yerex was endeavoring to establish an Argentine subsidiary with an Anglo-Argentine holding of 49% that would be of “little direct benefit” to Britain. Moreover, he could use this airline to service the U.K. via Africa. In light of the fact that he was no longer cooperating with British interests, officials in London did not favor his plan. In essence, while the Lord Privy Seal, with the Air Ministry in tow, was interested in Anglo-American cooperation, Yerex was not “their man,” so to speak. The Foreign Office was doubtful that the Americans would go along with the idea of Anglo-American cooperative ventures, but deferred to the Civil Air Transport Committee. One Foreign Office official later commented that it appeared that the Air Ministry and BOAC had “been stung into this project by the threat that the 5 Liverpool shipping companies will be allocated the South American rights for their airlines.” Apparently, this official did not realize that it had been the threat of Yerex that had been the sting. As a result, Whitehall had turned its face completely against Yerex and opposed his dream for an Anglo-American combination.³⁵⁴

Meanwhile, a dispatch arrived from the British Embassy in Washington addressing the recent developments regarding Yerex. R.I. Campbell admitted that it “was not possible” for the officials there to reach a conclusion as to whether the British could have done anything to avert Yerex’s sell-out. He acknowledged that Yerex had “kept the British flag for many years in a part of the world where British influence is very difficult to maintain against voluntary or involuntary American pressure.” Moreover, the only assistance that would have been useful to Yerex was that which the British were unable to provide. Yet it was “generally agreed” that Yerex was “primarily a very skillful promoter

Hildred to P.U.S., 7 November 1943, AVIA 2, 2333, AM; minute by Hildred to P.U.S., 8 November 1943, AVIA 2, 2333, AM; minute by Dunnett to P.U.S., 10 November 1943, AVIA 2, 2333, AM.

³⁵⁴ minute by MacLean, 5 December 1943, W16589/159/802, F.O. 371/36455; Cribbitt to LeRougetel, 29 November 1943, W16589/159/802, F.O. 371/36455; minute by MacLean, 4 February 1944, W1754/11/802, F.O. 371/42599.

in the American manner” and that he simply would have used British support to drive up the price for the Americans to buy his airline. Moreover, his “conduct of his private affairs did not make him the most desirable person to represent British influence in Central America.” Campbell admitted that one might argue that the British could overlook his “faults” in light of his efforts to maintain his British ties. However, Campbell did not seem to be making the argument himself. Campbell’s letter received circulation throughout the British government. While there was no immediate comment in the Foreign Office regarding the charges against Yerex’s loyalty and character, these sentiments would surface later. As it was, the turn against Yerex culminated in a Foreign Office note of 29 December to various British missions in the Americas. The note stated,

As a result of his recent deal with Transcontinental and Western Airlines and other United States interests, Mr. Yerex appears to have become involved with them in all his Latin American adventures. Neither he nor his agents can therefore be regarded as dependable representatives of British interests in South America.³⁵⁵

Not all in the Americas accepted the instructions or agreed with the objections to Yerex. The British ambassador in Bogotá, T.M. Snow, responded with a dispatch about a conversation he had with Yerex. The ambassador emphasized that Yerex would not change his nationality and was planning to establish a company in that country in which he would hold a 48% interest. The ambassador commented that he would prefer a company with 48% British interest instead of no company at all. As one official at the Foreign Office commented, “Mr. Snow doesn’t like his instructions not to regard Mr. Yerex as a dependable representative of British interests.” The British Air Attaché in Bogotá submitted a report of his own in which he declared “I feel there is no doubt of his sincerity and patriotism towards the British qualified by the fact that he would wish to

³⁵⁵ R.I. Campbell (H.M. Embassy, Washington) to Eden, 13 December 1943, W17184/42/802, F.O. 371/36453; minute by MacLean, 22 December 1943, W17184/42/802, F.O. 371/36453; Foreign Office to British Legation, Bogotá, 29 December 1943, AVIA 2, 2312 (Part IV, 1943-48), AM.

retain as much interest as possible in any airline he starts and for which he continues to work.”³⁵⁶ To these officials, Yerex was no clandestine American agent.

Of course, the staunchest defender of Yerex was Leche. In a telegram dated January 14, Leche continued to insist that Yerex was a British interest. He admitted that “as a result of Mr. Yerex’ recent deal into which he was forced, much against his will, by the impossibility of obtaining financial and other support at home, he cannot be regarded in quite the same light.” However, he was still a Britisher, he still controlled BWIA, and he still claimed, “British capital will always be welcome.” After “careful consideration,” Leche concluded that “we should not disinterest ourselves in Mr. Yerex entirely because of his association with American groups” because he “is at present our only sheet anchor in the New World; circumstances might change at some future date, and we can never tell whether in that case he might not be extremely valuable to us.”

However, Leche did not see the dispatch from the Washington Embassy until May. When he did, he sent a prompt rebuttal. He claimed that the remarks confirmed his suspicion that “prejudice against, or even hostility to Mr. Yerex, either personal or professional or both, exists in certain quarters.” Emphasizing that he was “the only British official knowing Mr. Yerex intimately,” Leche took umbrage with the comments about Yerex’s “American manner” and his personal conduct. He declared that Yerex “is an extremely loyal British subject, whose one ambition...has always been to develop his business as a British concern.” As for his “American manner,” Leche asserted “he has very little use for Americans and none at all for their business methods, even though in self-defence he may have been compelled to adopt them.” The notion that Yerex was a “very skillful promoter” was “hardly true.” He was skillful, “but he is not primarily a skillful promoter since...he does not care for money and his sole interests lie in aviation, in which he is a genius.” As for his personal conduct, Leche reiterated that none of the

³⁵⁶ T.M. Snow (H.M. Ambassador, Bogotá) to Eden, 18 January 1944, W1781/11/802, F.O. 371/42599; minute by MacLean, 10 February 1943, W1781/11/802, F.O. 371/42599; Wing-Commander H. Gambert

stories that various sources had circulated about Yerex had withstood scrutiny and were most likely the product of Pan Am attacks. While the Americans considered him “shrewd,” they had nothing against his character. As for his private life, Leche admitted that Yerex was indeed divorced, but emphasized that his wife had left him when he was penniless, and that he had supported both she and their children since then. He was at present “happily married” to a woman to whom he was “devoted” and with whom he had two children. Leche declared, “I have no reason whatever to suppose that he has anything to be ashamed of.” Leche closed his letter by deprecating rumors to the effect that Yerex would change his citizenship.³⁵⁷ In all, the minister made a sharp defense of his friend.

A Foreign Office official, in commenting on the Washington dispatch, had noted that the “controlling factor” in the British turn against Yerex had been that the British had no transport planes and thus the *New Zealander* had turned to the Americans for this equipment.³⁵⁸ Doubtless, such substantive considerations gave ample reason for the courses of action that both sides had taken. Yet it is interesting that the Washington embassy had taken a parting shot at Yerex’s personal character and conduct, and that Leche had devoted a lengthy portion of a dispatch to refute these indictments.

These issues stemmed from cultural considerations. First, the British had a cultural preconception of how one properly conducted business, and how the Americans conducted business. The latter, it is clear, involved a certain money-grubbing approach that the British found distasteful.³⁵⁹ Leche, one should note, did not endeavor to defend

(H.M. Air Attaché, Bogotá) to Assistant Chief of Air Staff, Air Ministry, 26 January 1944, W2252/11/802, F.O. 371/42599.

³⁵⁷ Leche to Eden, 14 January 1944, W1262/11/802, F.O. 371/42599; Leche to Eden, 1 May 1944, W7535/11/802, F.O. 371/42599.

³⁵⁸ minute by MacLean, 22 December 1943, W17184/42/802, F.O. 371/36453.

³⁵⁹ Martin J. Wiener has addressed the matter of British attitudes toward economic endeavors in his work, *English Culture and the Decline of the Industrial Spirit*. Wiener argues that the English elite has long viewed most areas of economic endeavor with ambivalence or even disdain. They have successfully imposed this perspective on the English middle class. As a result, the ideal for most English businessmen is not to continue making money, but to escape the business world for the gentry life. This dominant attitude is reflected in English literature, politics, and education. As a result, the British disparage entrepreneurs, and especially American business, which they consider to be overly materialistic. For a more thorough

the “American” business methods, but rather tried to distance Yerex from them. As for Yerex’s personal life, the British were clearly suspicious of anyone who was a divorcee and who had remarried a young, well-connected woman in Central America. Of course, the suspicion might have been that Yerex had divorced and remarried in order to further his business ambitions. In addition, David Yerex reports that there were rumors that Yerex was a womanizer, which may have added to the distaste in British circles. Again, Leche tried to refute the charges, emphasizing that Yerex’s first wife had left him, and despite this Yerex had remained dutiful in supporting her and their dependents. At present, his family life was the model of happiness. One must remember that the issue arose merely a few years after King Edward VIII had bowed to public pressure to abdicate the British throne because his love was a divorcee.

Interestingly enough, American records too related that Yerex was divorced. In a 1938 report on Yerex, J.B. Pate made a passing reference to the matter. He noted that Yerex’s first wife was “of a rather low social order” and that pressure from Yerex’s mother and sister may have led him to divorce her. He mentioned that Yerex had married the 17-year-old daughter of a Honduran Cabinet official. While not openly condemning Yerex, Pate’s report is less sympathetic to him. There is no mention of his wife leaving him, and there remains the possibility, if not implication, that Yerex had married a well-connected (and very young) woman.³⁶⁰ Yet in all the other American records on Yerex, there is no mention of the divorce. The American concerns regarding Yerex’s character pertain to charges of smuggling and other such matters. As for his “American manner,” the Americans were aware that Yerex could use some of Pan Am’s tactics. Yet their greater concern was his “British manner.” Here was a man who maintained close friendships with British officials and refused to change his citizenship. Moreover, he always seemed to be trying to pull the proverbial “fast one” on the Americans, as in the

explanation, consult: Martin J. Wiener, *English Culture and the Decline of the Industrial Spirit, 1850-1980* (New York: Cambridge University Press, 1981).

³⁶⁰ Pate, G-2 Report 4478, 17 November 1938, M.I.D. 150/22.

case of the Schroder proposal. This fit in well with the widespread perception in American circles that the British were a bunch of shysters out to swindle their younger cousins.³⁶¹ It is difficult to determine how much such considerations influenced the policy making on either side. They always seem to be present in the American thinking. As for the British, with specific regard to Yerex, it is difficult to demonstrate that they had any direct influence on the British response. Yet if they did not, they certainly proved useful in justifying the British turn against the New Zealander.

As for the immediate issue at hand, all of the protests in Yerex's favor had little effect. In response to Snow's note, one Foreign Office official admitted that Yerex was "technically" a British subject, but asserted that he could not be regarded as a British interest. He declared, "Mr. Snow has been instructed accordingly." As for Leche, the same official acknowledged that in the future the British might find it "desirable" to cooperate with Yerex. However, the British must "wait and see." He castigated Leche for thinking that Yerex still controlled BWIA, and urged the office to correct the minister. Yet when Leche's May dispatch arrived at the Foreign Office, it found a more sympathetic reader. N.J.A. Cheetham declared that its statement regarding Yerex's character "does not get us anywhere," but admitted, "I believe that Mr. Leche's views are nearer the mark than the somewhat 'hard-boiled' opinions of H.M. Embassy, Washington."³⁶² Still, Leche's response arrived too late to alter the immediate changes that were taking place.

The most immediate changes came in BWIA's ownership and management. Yerex discovered these when he finally arrived in Trinidad in December 1943 for meetings with the airline's board. In a meeting with Yerex, Clifford first expressed the "shock and disappointment" of the British at the news of the sale. Yerex defended the

³⁶¹ As David Dimpleby and David Reynolds state about the American debate of the Lend-Lease Act in 1941, opponents claimed that "cunning John Bull was inveigling a generous Uncle Sam into paying for a war that was not yet beyond his means." Dimpleby and Reynolds, 144.

action, pointing out that his operations were dangerously overextended and that the British had been unable to provide diplomatic or material support. He would rather see an airline with a “strong minority element” of British influence rather than none at all. Clifford then dropped the bombshell regarding the board’s decision to effectively strip him of control of the airline. He later noted of Yerex’s response to the news, “his anger was obvious, and the slight impediment in his speech was magnified to inarticulation.” The New Zealander declared that he would not accede to the maneuver. He claimed that he had a 10-year agreement with T.W.A. giving him technical and business control over TACA, and that the chair of the American airline was in fact a Scotsman. He blasted the British government for its lack of support for his operations to date, yet protested his continuing allegiance to the empire. Despite his anger and strident defense of his actions, Yerex relented and stated that he would accept the new arrangements with “good grace” provided that the British permit the transfer of stock to TACA and that he retain managerial control. The Colonial Office responded that it would take the matter under consideration.³⁶³

While British officials may have been willing to consider a compromise, the board of BWIA was not. The governor reported that the board meetings were “turbulent.” Yerex accused Sir Lennox O’Reilly, another member of the board, of turning the other board members against him. He boldly declared to the other board members that he would demand a *pro rata* issuance of stock, and thus he would retain control. They retorted that there would be no *pro rata* issuance, and that they would not approve the transfer of BWIA stock to the American-owned TACA. Clifford told Yerex that the British were confident in him personally, but were uncertain he could withstand any possible pressures from his American counterparts. Yerex promptly sought a definite statement from the governor on this point. What assurances, he asked, were necessary to ally British

³⁶² minute by MacLean, 18 February 1944, W2252/11/802, F.O. 371/42599; minute by MacLean, 1 February 1944, W1262/11/802, F.O. 371/42599; minute by N.J.A. Cheetham, 17 May 1944, W7535/11/802, F.O. 371/42599.

concerns? True to form, Clifford skirted the question, but did inform Yerex of some hard facts. He could expect no issuance of future stock, no minimum holding in the company, no definite association between BWIA and TACA, and nothing but a “very temporary contract” as managing director. He informed Yerex that the officials of the H.M.G. had been “shocked and disappointed” that he had made his deal without consulting them, but that they still had confidence in him. This reportedly pleased Yerex, but, the governor noted, he left the meetings “in a bad temper.”³⁶⁴

Clifford cautioned that the British should take “a very guarded attitude” toward Yerex, for, despite the New Zealander’s protests of “complete freedom” of action with regard to BWIA, the governor feared that he was “deeply involved” with the Americans. He noted that BWIA was facing two dangers. On the one hand, there was the possibility that some board members might “swing” toward Yerex and allow him to reestablish control over the airline. On the other hand, there was the danger that O’Reilly might drive Yerex from BWIA altogether, leaving the airline without the New Zealander’s abilities and resources. Yerex had claimed that BWIA could not operate without TACA’s planes and personnel. While the governor was uncertain about this claim, he was clearly concerned about the possibility. He suggested that perhaps the two sides could work out a compromise permitting the transfer of stock, assuring Yerex that his holdings (including T.W.A.’s) would not drop below 40%, and providing for “working agreements” between TACA and BWIA until British aircraft would be available.³⁶⁵

In London, there was growing concern. As Bigg of the Colonial Office noted, a break with Yerex seemed inevitable. Despite the resentment over the T.W.A. deal, the British realized that such a break could prove disastrous for BWIA. The Air Ministry warned that Yerex would likely cut off any supplies of Lockheeds for the airline. Worse,

³⁶³ Clifford to Secretary of State for the Colonies, 22 December 1943, AVIA 2, 2333, AM.

³⁶⁴ Clifford to Secretary of State for the Colonies, 4 January 1944, C.O. (Colonial Office records) 937, reference number 25/1, “Civil Aviation. British West Indian Airways,” Part I (1943-44); Clifford to Secretary of State for the Colonies, 6 January 1944, C.O. 937, 25/1, Part I.

³⁶⁵ Clifford to Secretary of State for the Colonies, 5 January 1944, C.O. 937, 25/1, Part I.

the British discovered that Yerex held the title to the BWIA airfield in the Dominican Republic. Despite the fact that BWIA had paid for its construction, Yerex could deny it any rights at this facility.³⁶⁶

Despite Bigg's pessimism, the Colonial Office did see a glimmer of hope in Clifford's proposals for a compromise. In February, it proposed to approve the transfer of stock to TACA, as well as a new contract for Yerex as managing director. However, it withheld from him what he wanted most: control. In early April, Yerex informed the British that he was resigning as managing director of BWIA. Moreover, the BWIA board and the government of Trinidad did not approve the transfer of stock.³⁶⁷ Thus, the situation in mid-1944 was a stalemate. Yerex, while still holding a large interest in his company, was no longer the majority owner and manager of the enterprise. The British, on the other hand, still had to reckon with him as a force within the company. His continued presence would loom over the airline in the coming months and pose a unique problem for the British as they tried to oversee the operations. Bigg speculated that the government in London might find itself subsidizing the enterprise. This would prove prophetic beyond his wildest imagination, as the coming months would witness a disastrous administration of the airline.

Now that the British had asserted control over BWIA, they looked to exert some measure of independent influence over their aviation interests in South America. Specifically, they sought to inaugurate a British-controlled service between that continent and Britain. By January, the British had abandoned their interest in a joint Anglo-American company in favor of what one Air Ministry official called a "more forward policy." The person pushing this policy was Beaverbrook. In January, the Air Ministry

³⁶⁶ minute by Bigg, 6 January 1944, C.O. 937, 25/1, Part I; minute by G.H. Thornley (Private Secretary, Secretary of State for the Colonies), 13 January 1944, C.O. 937, 25/1, Part I; minute by Bigg, 6 January 1944, C.O. 937, 25/1, Part I; minute by Bigg, 18 January 1944, C.O. 937, 25/1, Part I; Secretary of State for the Colonies to Clifford, 17 February 1944, C.O. 937, 25/1, Part I.

³⁶⁷ Clifford to Secretary of State for the Colonies, 14 February 1944, C.O. 937, 25/1, Part I; Clifford to Secretary of State for the Colonies, 4 April 1944, C.O. 937, 25/1, Part I; Hildred, "Note of a Discussion with Mr. Murray of B.W.I.A.," 1 July 1944, AIR 119, reference number 396, AM.

informed the Foreign Office and other interested agencies that BOAC proposed to use three of its Boeing 314 flying boats on a service between Britain and the United States. The letter frankly acknowledged that there would be some reaction from the Americans. In light of the fact that the planes were American and depended on Americans for maintenance services, there was a need for “a strong case in justification of the service as part of the war effort.” It noted that traffic from Britain to South America was light, and so requested a report from diplomatic officials in the region regarding the possibilities of traffic coming in the reverse direction. The Air Ministry emphasized that it was “anxious” to start the service.³⁶⁸

The response from British officials in South America bordered on ecstatic. After all, they had pressed for support for Yerex and bemoaned the lack of interest from London. Sir Noel Charles declared that he would “warmly welcome” the service. He complained that the present arrangements left the impression that Pan Am held a monopoly of air transport in the region. A British air service would counter this and provide assistance to British business interests. Yet there was a problem. There were few people connected to the war effort who needed the service, and thus there might be only 3 to 5 passengers per month. He did state that there were many British businessmen who could use the service to return home for long overdue consultations, and that some “allied” citizens might make use of it. Regarding the issue of demand, reports from elsewhere were little more encouraging. Officials in Argentina reported that perhaps 10 people per month might use the service. As one Air Ministry official noted, these numbers were unexpectedly low. Despite the expressed hope that the service might stir some latent interest among various parties, there seemed to be little traffic to justify the British plan.³⁶⁹

³⁶⁸ Cribbitt to Le Rougetel, 18 January 1944, W906/11/802, F.O. 371/42599.

³⁶⁹ Charles to Eden, 3 February 1944, W1754/11/802, F.O. 371/42599; Sinclair to Law, 31 March 1944, W5427/11/802, F.O. 371/42599.

The Foreign Office was concerned about the American reaction to the plan. On the one hand, secrecy would seem to be in order in light of the fact that many in the United States were seeking to use Lend-Lease to compel British cooperation on various matters. While the Boeings were not Lend-Lease airplanes (the British had bought them outright), the British did receive “equivalent” aircraft under Lend-Lease. Some on the other side of the Atlantic might argue that these should be kept in light of Britain’s use of Boeings for the proposed service. There was a consensus in British government circles about two things pertaining to this issue. One, the British would have to provide a good justification for the service on the basis of war and official needs. Two, they would have to approach the Americans about this. As Le Rougetel stated, the British would be in “very deep water” if they did not. Yet no one relished the task. Le Rougetel commented rather glumly, “the moment could hardly be worse chosen.”³⁷⁰

Foreign Office officials soon discovered that their compatriots were less cautious. The Committee on Post-War Civil Air Transport met on March 1. The Air Ministry set forth the pros and cons of the plan. The pros were as follows. One, it would provide transport for British officials and mail, while “showing the flag.” Two, the Argentines had recently requested the service, and the British wanted to accommodate them. Three, it would provide BOAC with valuable experience for future operations. Of course, the con was the possible American reaction. They likely would balk, and the matter might prejudice the maintenance of the Boeings. Yet the ministry felt that the case for the service was good, that the British should not fear American reaction, and that the British government should approach the U.S. government immediately on the issue. The Foreign Office acquiesced, but emphasized that there would have to be a convincing case for the necessity of the service, and that this would preclude carrying any fare-paying passengers. However, after the meeting, the Treasury declared that it found the idea of not permitting fare-paying passengers to be “unpalatable” in light of the demands BOAC was making on

³⁷⁰ minute by MacLean, 13 March 1944, W3392/11/802, F.O. 371/42599; minute by Le Rougetel, 14

its resources. The Lord Privy Seal's office also objected, noting that the British allowed Pan Am and American Export to carry such passengers with any leftover space on their flights. The Foreign Office acquiesced, but its concern over irritating the Americans was evident.³⁷¹ As it was, it never foresaw the real danger in this scheme.

Beaverbrook handled the matter personally. Earlier in the year, the British invited the Americans to send representatives to Britain for talks over the future of civil aviation. The Americans accepted, and sent a delegation to meet with the British in April 1944. Much of the dealing was done by the diminutive duo of Berle and Beaverbrook. The two found much to agree upon in the areas of technical stop and cabotage. Yet they disagreed over the issues of bases and commercial controls. The Americans wanted access to the bases they had financed, while the British feared that this would allow them to inundate the empire. The British wanted an international authority to regulate the industry, providing for traffic quotas and the distribution of traffic on an equitable basis. The Americans thought this too restrictive, and insisted upon a more open system. The two sides "papered over" the disagreements with a vaguely worded document called the "Balfour Report." This proposed an international authority but assigned it no specific powers. The two sides reaffirmed the Halifax agreement, much to the delight of the Americans, and reached an understanding providing assurances of more American aircraft for Britain, much to the relief of the British. The two sides announced that there was sufficient agreement to proceed with an international conference at a later date. One issue that the two did not settle was that of a South American service for BOAC. Beaverbrook broached the subject with Berle, asking if the Americans had any objections. Berle stated that he had none, and acknowledged that the British had a right in principle to establish such a route. However, he explained that he would have to consult Washington. He pointed out that the present diplomatic difficulties between the

March 1944, W3392/11/802, F.O. 371/42599.

Americans and the Argentines might complicate the matter.³⁷² Still, the response was surprisingly mild.

In Britain, the response to the talks was positive. The Balfour Report left open the possibility of an international authority, and Beaverbrook had managed to secure assurances of American planes. With regard to the South American service, Berle's response had encouraged the British. The Foreign Office thought that the two allies could reach a deal as long as the British dropped Buenos Aires as a stop, thereby avoiding that political pitfall. The other departments were more aggressive. Beaverbrook and the Air Ministry pressed the Foreign Office to inform Berle that the British were going ahead with their plans without an American response. The Foreign Office sent this message in late April. At this juncture the departments were sending copies of the correspondence to the War Cabinet.³⁷³ Clearly, the British thought that the issue was of great significance to the future of British commercial aviation, and greater British policy as well.

The British did not realize that they were running pell-mell into a trap. The U.S. government was slow to respond to the British initiative. The reasons for this delay were the public reaction in the United States to the April talks and subsequent British actions. When Beaverbrook announced the results of his talks with Berle in Parliament, there was an outcry in the United States. Reports appeared in the press to the effect that a "secret deal" had been made, one that might work to the detriment of U.S. aviation interests. The Senate committee overseeing commercial aviation sent a letter to Hull stating that it had been unaware of any U.S. "plan" for commercial aviation and demanded to know what had happened in London. Hull himself responded that the talks had been purely "exploratory" and that no formal commitments had been made. In essence, whatever the

³⁷¹ C.A.T. 44 (23), 1 March 1944, W3392/11/802, F.O. 371/42599; Ralph Assherton (H.M. Treasury) to Beaverbrook, 25 March 1944, W4793/11/802, F.O. 371/42599; Beaverbrook to Law, 28 March 1944, W4793/11/802, F.O. 371/42599; Law to Beaverbrook, 5 April 1944, W4793/11/802, F.O. 371/42599.

³⁷² Dobson, 153-54; minute by MacLean, 12 April 1944, W5427/11/802, F.O. 371/42599.

³⁷³ minute by MacLean, 12 April 1944, W5427/11/802, F.O. 371/42599; minute by Cheetham, 24 April 1944, W5427/11/802, F.O. 371/42599; Foreign Office to British Embassy, Washington, 27 April 1944,

British construed as a policy commitment by Berle was in fact worth nothing. There was no guarantee of planes, and the Balfour Report might not serve as the basis for future negotiation.³⁷⁴

One British official had commented in April that the U.S. government was “so ill-coordinated that consent given at one meeting of it may not have the agreement of, or even be known to, other sections of it.” This had proven to be an all-too-accurate assessment of the situation. While Berle had arrived in London as the “key man,” as one American journal stated, in the development of the aviation policy of the United States, he found his room to maneuver shrinking. As a whole, the State Department had to deal with various uncertainties. Sumner Welles had resigned amidst a scandal, creating upheaval within the department. The forthcoming presidential and congressional elections made any policymaking tentative and slow. Finally, there were those who opposed Berle’s direction in policy, both within and without the administration.³⁷⁵

In October 1943, President Roosevelt had called a meeting at which the general guidelines for American aviation policy were set. FDR wanted to end Pan Am’s monopoly, deny Germany and Japan an aviation industry, permit all states to operate their own airlines, insure U.S. access to the bases it had built, and to agree to subsidies only for unprofitable services. Most importantly, the president wanted to achieve all of these measures by means of an international multilateral agreement. He also wanted a “very free” commercial arrangement under which airlines could both discharge and pick up foreign-bound traffic. This was largely in line with Berle’s thinking. However, within days after the meeting, L. Welch Pogue informed Harry Hopkins that the CAB did not favor this last proposition. It wanted to retain some control over the granting of landing rights to insure that the United States would receive the best possible terms from the

W5427/11/802, F.O. 371/42599; Foreign Office to H.M. Embassy, Washington, 17 April 1944, W5427/11/802, F.O. 371/42599.

³⁷⁴ “Hull Denies that Berle Made International Aviation Commitments,” *American Aviation Daily* 33:15 (16 May 1944): 74-5; “Air Policy and the State Department,” *Flying* 35:2 (August 1944): 33, 156-8.

imperial powers. He believed that a multilateral agreement would undermine this position, and thus favored bilateral agreements. In sum, Pogue wanted a more nationalistic policy under which the United States would use hard bargaining to force the British and others to grant it the most for the least. The service departments also favored this position. Pogue circumvented Berle by corresponding with Hopkins on the matter, hoping to influence the president in his favor. Thus, while Berle had the lead part, the supporting cast was not very supportive of his policy. Meanwhile, key members of the Senate, including some on the aviation committee, were even more strongly opposed to the administration policy. Some, such as Owen Brewster of Maine, wanted to retain Pan Am as the chosen instrument, as well as such measures as bilateral negotiations.³⁷⁶ Berle may have been at the forefront of American policy, but there were various forces at work in the U.S. government.

In the aftermath of the affair, Berle adopted a much harder line vis-à-vis the British. This was due perhaps in part to the criticism he had faced over his “deal” with Beaverbrook, but it was also the result of some British maneuvering at the time. Within the span of a few weeks reports came into the department that the British were engaged in various schemes. They had struck a deal with Eisenhower allowing BOAC to use its spare transport capacity for commercial purposes. They offered to supply the Soviets with American Lend-Lease commercial aircraft in exchange for landing rights in the Soviet Union. They were using their political influence in the Middle East to block American efforts to obtain commercial aviation privileges. Amidst the domestic backlash and the British activity, Berle reconsidered the British proposal regarding South America. Interestingly enough, with the litany of complaints he accumulated against them for their other actions, he regarded this with special concern. He commented in his diary, “you don’t transport men and munitions to the Far East across the widest part of the Pacific.”

³⁷⁵ Dobson, *Peaceful Air Warfare*, 147-51, 156; minute by R.G.A. (H.M. Foreign Office), 13 April 1944, W5427/11/802, F.O. 371/42599.

³⁷⁶ Dobson, *Peaceful Air Warfare*, 147-51, 156.

He charged that this proposal was “the first major move for expansion of commercial air services since the beginning of the war.”³⁷⁷ In effect, he was accusing the British of breaking the Halifax Agreement.

However, Berle did not reject the British proposal out of hand. While he believed that the British were trying to get a “jump” on the Americans, he saw an opportunity to use the proposal to advance American interests. Thus, in late May, he informed Halifax that in light of the recent outcry on Capitol Hill regarding the Beaverbrook statement, the department thought it necessary that the Americans obtain something in return. In a subsequent letter the following week, he proposed was a *quid pro quo*. The U.S. government would accede to a South American route for BOAC if the British would allow the United States to operate in the Middle East. This would entail two things. One, the British would allow the U.S. Army Transport Command to gradually “commercialize” its Middle East operations by filling up empty space on flights with paying passengers until American airlines could operate in the region. Two, the British would not oppose U.S. efforts to obtain landing and operating rights for its airlines in the region. Berle went on to state that the matter touched upon larger policy issues. He suggested a “re-statement” of the Halifax Agreement that would assure that the commercial airlines of both countries would operate in the same regions on an equal basis. For example, if BOAC was able to take on fare-paying passengers in the Middle East, American airlines could as well. Berle was proposing, in essence, that the two allies begin an orderly “move out” into the world’s air routes, sharing similar rights and privileges wherever the two might operate.³⁷⁸

The offer stunned the British. They had not seen it coming, and it threatened to open a Pandora’s box. It would place BOAC in competition with the U.S.A.T.C. and

³⁷⁷ Ibid., 155; Diary entry, 3 June 1944, *Berle Diary*, 5, XI: 2, pp. 58-60; Diary entry, 13 June 1944, *Berle Diary*, 5, XI: 2, pp. 74-75.

³⁷⁸ Diary entry, 3 June 1944, *Berle Diary*, 5, XI: 2, pp. 58-60; Halifax to Eden, 29 May 1944, W8585/11/802, F.O. 371/42599; Halifax to Eden, 6 June 1944, W8585/11/802, F.O. 371/42599; Halifax to Eden, 6 June 1944, W8585/11/802, F.O. 371/42599.

American airlines in what had been a British preserve. As one Foreign Office official commented, such an arrangement would not be promising for the British chosen instrument in light of the disparity in size and equipment between the British and American aviation establishments. The official lamented, “we are likely to pay dearly for raising this question at the present time.” There was also a measure of resentment in the British ranks. The Air Ministry balked at the disparity in the *quid pro quo*. They grumbled that in exchange for “permission” (which the British did not require) to operate three planes to South America, the Americans were seeking to open up an entire British-dominated region to their airlines. In sum, “we are being asked to give far more than we seek.”³⁷⁹

Despite the obvious problems with the offer, there was some hesitation regarding the best course of action to follow. As one Foreign Office official put it, “having made out bed, we must presumably be prepared to lie on it.” On the one hand, if the British withdrew, the Americans were likely to view it as a “negative policy” designed to prevent U.S. airlines from entering the Middle East and charge the British with opportunism. On the other, the Americans were likely to gain access to the region at some point, so why not take the offer? Yet the Air Ministry decided that the cost was simply too high. At a Civil Air Transport committee meeting in July, it prevailed upon the committee to postpone the South American operation, and thus the *quid pro quo*. The Air Ministry emphasized that the disparity in the terms, as well as the late date for starting the operations (the Boeings could not be operated in the winter) made the delay desirable. It pointed out that in light of the American advantages in aircraft, it was desirable to maintain the “log-jam” that the Americans sought to break. Of course, British officials, in informing the Americans of the decision, were to emphasize the operational

³⁷⁹ minute by Cheetham, 7 June 1944, W9042/11/802, F.O. 371/42599; minute by Le Rougetel, 7 June 1944, W9042/11/802, F.O. 371/42599; Cribbett to Le Rougetel, 6 June 1944, W9042/11/802, F.O. 371/42599.

considerations and refrain from any comment on the policy considerations.³⁸⁰ Thus, the British backpedaled from their aggressive foray into South America. At best, it was an unprofitable adventure; at worst, a near disaster. The results of the inquiry with the Americans would have ramifications at a later date.

The increasing American suspicion of the British would have ramifications for Yerex and his operations. The New Zealander would discover that “Americanization” would not allay U.S. doubts about him nor guarantee American aid. Despite the fact that his primary critic, Thomas Burke, left his post in early 1944, Yerex would find the State Department and the U.S. government as a whole much less sympathetic to his efforts. This was nowhere more apparent than in the attitude of Berle.

When he completed the sale, Yerex was confident that he was now in a position to build the air empire of which he had long dreamed. This would be, in the words of R.E.G. Davies, the “zenith of TACA’s ambitions.” Throughout late 1943 and 1944 Yerex busied himself traveling the whole of Latin America seeking to establish TACA subsidiaries. These efforts would eventually bear fruit in 1945. Meanwhile, Yerex managed to establish subsidiaries in Mexico, Venezuela, and Colombia, linking these to his international Central American network. At one point, TACA could advertise a service from Mexico City to Bogotá. Moreover, it had its Miami service.³⁸¹ Thus, Lowell Yerex may have been the first non-American to link the United States with South America, fulfilling von Bauer’s dream of a quarter century earlier.

Unfortunately for Yerex, this “zenith” was much like the “high tide of the Confederacy” at Gettysburg. While he had breached the U.S. line much like Pickett, he lacked the resources to press his advantage. As Davies has pointed out, TACA was, by this point, “a thing of shreds and patches.” Planes, parts and personnel were in desperately short supply. Yerex still did not have a permit to operate a scheduled service

³⁸⁰ minute by P. Mason (H.M. Foreign Office), 18 July 1944, W11058/11/802, F.O. 371/42599; C.A.T. (44) 44, 13 July 1944, W11058/11/802, F.O. 371/42599.

³⁸¹ Davies, *Airlines of Latin America*, 135.

to Miami, even on a temporary basis. Worse, he faced renewed opposition from old and new rivals. He was depending upon his American partnership to resolve these problems. He would find this to be an unreliable instrument.³⁸²

TACA had already suffered a serious drop in the number of available planes, and those that remained were obsolete and worn. In March and April 1944, TACA suffered a series of accidents in Honduras that resulted in the grounding of all TACA aircraft operating in that country. These incidents, nine in all, involved a variety of problems from blown tires to faulty equipment to engine trouble. There was a strong suspicion that someone was sabotaging TACA's planes. One U.S. source reported that TACA mechanics found sugar in one engine that had stalled in flight. Yet a TACA pilot asserted that the problems were due to poor maintenance and the age of the equipment. There are no reports as to whether the accidents permanently disabled any aircraft, but 3 TACA pilots resigned, 1 "retired" (due to his nerves being "shot"), and 3 more were considering leaving. As one U.S. official commented, if these pilots left, TACA's operations would be in jeopardy.³⁸³

The identity of the saboteur, if there was one, remained unknown. Some U.S. officials speculated that Pan Am might be behind the moves, but most believed it was the act of some local nationals interested in overthrowing the government or in starting their own airline. However, if there were any doubts that the accidents were the act of a competitor, there were none that the competition in the airline business was heating up once again in Central America. The first threat came in TACA's backyard, Honduras. In February, John Erwin reported that some important Honduran figures had formed "Empresa Nacional de Transportes, S.A." to compete with TACA. Erwin doubted whether this was a *bona fide* enterprise. He speculated that there might be two motives behind the new airline. One was to use the threat of the new airline to pressure TACA

³⁸² Ibid., 135-6

into making a financial payoff, much like Somoza had done a few years earlier. The second was that Pan Am was behind the new company, ready to use it much like Aerovias de Guatemala. The threat to TACA became clear the following month, when the Honduran Congress rejected a new franchise contract for TACA. Thomas Hardie, the U.S. military attaché in Honduras, attributed it to the new airline, which had submitted a contract proposal of its own. Hardie doubted that Pan Am was behind it, instead suggesting that the United Fruit Company may have been the secret benefactor for the new enterprise, considering its recent expression of interest in the aviation business. For all of the attention it received, the new company apparently never operated, for there is no further mention of it in U.S. records, and it does not appear in any other accounts. Moreover, TACA would continue to operate in Honduras.³⁸⁴

However, Pan Am once again went on the offensive in Central America. In June, it formed a subsidiary in Panama. It followed this in November with two more subsidiaries. It returned to the fertile fields of Nicaragua, where Somoza had been expressing a willingness to evict TACA in favor of a U.S. airline. It is difficult to say whether Somoza had serious objections to TACA, or whether he simply wanted more money. Pan Am was more than willing to take advantage of Somoza's hospitality, founding Lineas Aereas de Nicaragua. It then made a foray into Honduras, establishing Servicio Aereo de Honduras, S.A. Erwin reported that the new airline was "patterned after the Aerovias de Guatemala" and demonstrated "the intensification of competition between these airlines in this area."³⁸⁵

Yerex and his subordinates at TACA were well aware of the fact that there was a desperate need for planes. They explored every possible source. They tried to purchase

³⁸³ Hardie, Report A/H 3030, 5 May 1944, M.I.D. Regional File, 1922-44, Central America, Box 460; Col. Charles Mettler (Ordinance Department, Chief, BOMID), Report 768, 7 May 1944, M.I.D. Regional File, 1922-44, Central America, Box 459.

³⁸⁴ Erwin to Hull, 24 February 1944, 815.796/187; Lt. Col. Nathan Brown (Acting M.A., Honduras), Report 799, 6 March 1944, M.I.D. Regional File, 1922-44, Central America, Box 460; Hardie, Report A/H 3010, 27 March 1944, M.I.D. Regional File, 1922-44, Central America, Box 460.

³⁸⁵ Davies, *Airlines of Latin America*, 94-107; Erwin to Hull, 19 October 1944, 815.796/10-1944.

existing airlines and add their planes to TACA's fleets. In 1944, Yerex tried to purchase the Uruguayan airline PLUNA for this reason. TACA also moved aggressively on the rare occasions when planes came up for sale in the region. In early 1944 it bid on three planes put up for sale in Costa Rica by the U.S. Army Corps of Engineers. When a competitor won the bid, TACA endeavored to convince the army to sell the planes to it by raising its bid. In a time of desperate need, TACA would pay the price and discard formal business practices to obtain what it needed. Some of its efforts were rather exotic. Yerex endeavored to establish his own aircraft factory in Brazil, applying to the government in 1943 for a permit to build such a facility. His plan was to build a small, simple plane to serve his local operations. He also actively pursued the idea of purchasing Burnelli UB-14s for his operation. The Burnelli was a Canadian-built aircraft based upon the "flying wing" design popularized by Northrop in the 1940s and reborn in the stealth bomber of the present day.³⁸⁶ Needless to say, it was not the typical airplane design.

These sources, however, were unable to provide TACA with any airplanes in 1944. Yerex's efforts to obtain PLUNA failed, and so its aircraft were not available to him. In Costa Rica, army officials refused to entertain the idea of reopening the bidding. The Brazilians refused Yerex a permit for an aircraft factory, signaling a turn in his fortunes in that country. As for the Burnelli, TACA's interest in the aircraft inexplicably disappeared.³⁸⁷

The only potentially reliable sources for aircraft were the British and the Americans. Despite his historical preference for American types, Yerex devoted much attention to the Canadians as a source for airplanes. He reportedly inspected the Avro Anson as a possible aircraft for his operations, and TACA attempted to obtain Canadian-built DC-3s. Yet such planes would be available only after the war or only with the

³⁸⁶ Davies, *Airlines of Latin America*, 661; Eugene Trueblood (Charge de Affairs ad interim, Costa Rica) to Hull, 12 January 1944, 818.796/165; Morgan, Memo of Conversation, 24 January 1944, 832.796/1338; C.J. Tippet (Senior Aeronautical Consultant, CAA) to Caffery, 29 January 1944, 832.796/1343.

³⁸⁷ Trueblood to Hull, 12 January 1944, 818.796/165; Morgan, Memo of Conversation, 24 January 1944, 832.796/1338; Leche to Eden, 20 July 1944, W11788/11/802, F.O. 371/42599.

permission of the joint Anglo-American Defense Supplies Corporation. Considering the British hesitancy to support Yerex in the past, they would largely defer to their American counterparts regarding his operations. This was hardly promising for Yerex. Days after the “sale” of TACA, the AADSC rejected the Yerex’s application from mid-1943. Meanwhile, they delayed in reviewing other applications. In desperate need of aircraft, Yerex and his subordinates continued to lobby the Americans for planes. In a January meeting with Stokely Morgan of the State Department, Luis Sampaio, president of Aerovias Brasil, emphasized his airline’s need for planes from the DSC. When Morgan mentioned reports that TACA (and Aerovias) was to obtain planes from Canadian sources, Sampaio expressed his doubts and reiterated the need for favorable DSC action.³⁸⁸

Yerex was also well aware of his need for diplomatic support. This was nowhere more evident than in Brazil. In January, the government rejected Yerex’s petition for building aircraft. It also announced that it was rejecting Aerovias Brasil’s application for a permit to operate a route from Rio to Miami. To all observers it was clear that there were strong reservations within the Brazilian government about the airline. Yerex and company tried to contain the damage. Sampaio informed Morgan that the rejections were no issue because Yerex had given up on the idea of manufacturing airplanes and that the other petition had been superseded by a request for permanent operating rights that, Sampaio claimed, the government had already approved. Meanwhile, Yerex tried to keep the American door open to his airline, lest the Brazilians decide that he had no support in the United States. In a meeting with a CAA official, Yerex insisted that present U.S. policy would not follow a “chosen instrument” approach and thus the United States should not limit the Brazilians to one carrier. Clearly, Yerex wanted the U.S. to give the Brazilians the impression that the U.S. government found him acceptable.³⁸⁹

³⁸⁸ Morgan, Memo of Conversation, 24 January 1944, 832.796/1338.

³⁸⁹ Morgan, Memo of Conversation, 24 January 1944, 832.796/1338; Tippet to Caffery, 29 January 1944, 832.796/1343.

If Yerex expected the Americans to come to his aid, either with planes or diplomatic pressure, he would be sorely disappointed. Despite the sale of TACA, many U.S. officials remained doubtful of Yerex. Less than four weeks after the sale, the CAB issued a memo stating that Yerex remained the largest shareholder by a significant margin and that the American interests had bought into the holding company, not the airlines themselves. Thus, the memo concluded, “it is completely erroneous to claim that any of the Yerex enterprises have been Americanized.” The CAB would stand by this hard line throughout 1944, denying TACA applications for scheduled services to the United States. The CAA was little friendlier. One CAA official reported that Yerex was working with a British representative in Argentina and “will undoubtedly make every effort to gain concessions for TACA and British aviation interests.” He commented, “my opinion of Yerex is that he primarily represents Yerex but would represent the British or the United States if it happens to suit his purpose.” To put the matter succinctly, U.S. officials did not trust him. As one of Yerex’s subordinates put it, Yerex “was ‘damned’ [in Trinidad] for selling out to the Americans, and the Americans accuse him of being British.”³⁹⁰

The key player remained the State Department. Despite TACA’s “Americanization” and Burke’s departure, the department remained ambivalent about Yerex. While it could find few grounds to object to him, it was not comfortable with him either, as reports of ongoing ties with the British poured into the department. As a result, it remained a passive observer during his period of expansion, neither helping nor hindering him. This was most evident in the case of Brazil. In 1943, the department had reluctantly resigned itself to the idea that Yerex might be the Brazilian instrument for the Miami route. However, by January, it was clear that the Brazilians were not behind Yerex. Brazilian officials now openly told their American counterparts that Yerex’s operation was out of favor. Morgan had a conversation with the Brazilian Minister for Air, asking him which Brazilian companies should receive priority consideration from the

³⁹⁰ Morgan, Memo of Conversation, 24 January 1944, 832.796/1338; Tippet to Caffery, 29 January 1944,

DSC. The minister mentioned Panair do Brasil, VARIG, and another airline. When Morgan asked about Aerovias Brasil, the minister “very definitely belittled the importance of this company,” citing a “speculative element” which disturbed him. Interestingly enough, Morgan did not offer his comments for the record. It would seem that he was not trying to turn the Brazilians against Yerex, but was merely observing.³⁹¹

This was true of the State Department in general. This attitude was made manifest in February 1944, when the State Department declared that it took no official position on Yerex’s efforts to establish TACA subsidiaries in Latin America. In April, Berle forwarded a note to all Latin American consular offices that stated that the department had no grounds for objecting to TACA. More significantly, it asserted that Americans owned the airline and that the department no longer regarded the British influence as a threat. In a note to the U.S. ambassador to Colombia, Dean Acheson stated that TACA should be regarded “as a foreign corporation with a substantial American investment, whose operations are not...planned or designed to conflict with...American aviation policy.”³⁹² In sum, the Americans would neither support nor oppose Yerex’s expansion.

Yerex’s effort to appeal to both sides had accomplished the opposite effect. Rather than making him more attractive to both and more worthy of support, it made him the object of greater suspicion and a “hands-off” approach. Despite the State Department’s instructions of April, there remained deep-seeded suspicions of Yerex in the U.S. government. As the British engaged in their maneuvers in early and mid-1944, the suspicions resurfaced in the State Department. As Berle toughened in his stance vis-à-vis the British, he also manifested a growing suspicion of the New Zealander, who just might, in his eyes, become a British instrument. Ironically, this fear provided Yerex some

832.796/1343; Tippet to Caffery, 3 March 1944, 832.796/1365.

³⁹¹ Morgan, memorandum of conversation, 21 January 1944, 832.796/1322.

³⁹² Hull to American Embassy-Asuncion, 15 February 1944, 813.796 TACA/247; Stettinius to Armour (U.S. Embassy, Buenos Aires), 14 February 1944, 813.796 TACA/250; Berle to all American consular offices, Latin America, 12 April 1944, 813.796 TACA/262c; Dean Acheson (State Department) to Arthur Bliss Lane (U.S. Ambassador, Colombia), 8 April 1944, 813.796 TACA/262c.

leverage in dealing with the U.S. government on the issues of aircraft and landing rights. Unfortunately, in the long run it made TACA a pariah in Washington.

The summer of 1944 witnessed rapid developments on the war front. Allied forces landed at Normandy and recaptured much of France within weeks. Soviet forces drove the Germans from much of Eastern Europe. U.S. forces were taking back much of the Pacific from Japan. Yet for Lowell Yerex, the summer of 1944 was one of frustration and stagnation. While he was able to establish his airlines in South America, he was unable to obtain either the airplanes he needed for these enterprises or the American landing rights that were so important to his international service. He clearly regretted his decision to sell out to the Americans, and longed for reconciliation with the British.

In July, rumors began pouring into the State Department that the British were once again interested in TACA, and that TWA might be willing to sell in light of the ongoing problems with the U.S. government. The rumors upset Berle, who noted in his diary that the Americans “really forced [TACA] back into British hands,” and that Yerex and TWA were merely trying to salvage their investment. He wrote to the CAB and the Department of Commerce (which oversaw the CAA) in an effort to pressure them to relent on the matter of TACA’s landing rights, warning that if they did so, TWA would probably sell its stock to British interests. Interestingly enough, he made this plea before getting any confirmation of the rumor. This was soon coming, however. Beaverbrook contacted Berle, informing him that Yerex had indeed suggested that the British buy out TWA’s interest in TACA and asking for his response. Berle commented in his diary, “I don’t know what we can do, though I will try.” He desperately wanted to keep TACA out of British hands. He was not the only one. John Cabot commented that Yerex had demonstrated a willingness to deal with the Americans, and that competition would be in line with the policy the administration wanted to pursue. Laurence Duggan concurred, arguing that Yerex was not a British pawn and that his loss would be disadvantageous to the United States. Like Berle, both were upset with the CAB, for, as Cabot stated, the

board was pushing Yerex into British hands by going for his “scalp.” Yet it was clear to all that the CAB might not listen to the department on the matter, for, as Duggan warned, the board feared Yerex and his British ties.³⁹³

The department now found itself in a “tough spot.” On the one hand, it did not fully trust Yerex. On the other, the hardline attitude of the CAB and other agencies might do exactly what the department did not want: push Yerex and TACA into the increasingly aggressive British camp. Despite this possibility, there was little assurance that the CAB or the others would see the danger and relent. Clearly, there was sympathy for Yerex. Berle had expressed it in his diary and Cabot in an August memo in which he recalled the 1940 battles between TACA and Pan Am, noting that former had stood up to the American giant. The department did make an effort to convince the munitions board to give TACA some planes. However, it did not “push” the CAB further.³⁹⁴ In a sudden and surprising change of heart, Berle, much as he had done with the British, took a harder line vis-à-vis Yerex.

This change in attitude would manifest itself in two meetings the assistant secretary had in August. The first was with Jack Frye, president of TWA. Frye complained to Berle that the U.S. government, and particularly the CAB, was treating TACA as an “outcast”. While it could not kill the TWA deal, it could (and did) refuse TACA access to the United States, which would greatly hamper future operations and profitability. Frye confirmed the earlier rumors that the British might want to buy his airline’s interest in TACA, and made it clear that the CAB’s ongoing antipathy for Yerex might lead TWA to sell out. Berle implored Frye not to do so, giving assurances that he would take some action. Yet he also made the statement that TACA would best serve American interests as a feeder service. He even suggested that a deal between the airline and Pan Am might be desirable! This was a shocking suggestion from the man who had

³⁹³ Berle to Pogue, 21 July 1944, 813.796 TACA/7-744; Diary Entry, 24 July 1944, *Berle Diary*, 5, XI: 2, 138-9; Diary Entry, 26 July 1944, *Berle Diary*, 5, XI: 2, 144-5; Cabot to Berle, 27 July 1944, 813.796 Taca/7-2144; Duggan, memo, 26 July 1944, 813.796 TACA/7-2644.

long opposed Pan Am and had championed TACA. As a result of Berle's importuning, Frye agreed to refrain from taking any action with regard to the British.³⁹⁵ He must have emerged from the meeting with the impression that Yerex's support in the department, even the whole of the U.S. government, was evaporating. Soon, this would become more evident and overt.

The second meeting was with Lowell Yerex. Yerex came to Berle's office late in August of 1944. Washington in the summertime is not the tourist's dream vacation. It is hot, with oppressive humidity, and in the days before air conditioning, the old State Department building must have been a hellish setting for the meeting. For Yerex, the heat must have only augmented his displeasure with the U.S. government. He had done what was necessary to meet the conditions set forth by the Americans for assistance for his airline, or so he thought. Yet here he sat in a stuffy office, without planes and without landing rights in the United States. In his discussion with Berle, he repeated much of what Frye had said earlier. In particular, he complained to the assistant secretary about the CAB's reluctance to grant TACA a permit to operate a service between the United States and Central America. Referring to public statements about U.S. policy, he informed Berle that four Central American nations had designated TACA as their international airline. Did not these designations give TACA the right to transport passengers between these countries and the United States? Berle responded to this query by stating that the designations did not guarantee TACA a share of the "American-originated traffic." In essence, Berle was claiming that the United States did not have to allow TACA to transport anything out of its territory, whatever the Central Americans said. His subsequent comments are revealing. The assistant secretary noted that TACA had expanded into international operations of its own accord. He then asked a series of questions that clearly manifested his suspicions of British influences in TACA. Yerex

³⁹⁴ Cabot, memo of conversation, 10 August 1944, 813.796/8-1044.

³⁹⁵ Berle to Pogue, 20 July 1944, 813.796 TACA/7-744; Cabot to Berle, 27 July 1944, 813.796 TACA/7-2144; Diary Entry, 3 August 1944, *Berle Diary*, 5, XI: 2, 174-5.

defended his expansion and downplayed British influences, but the meeting must have left him downcast.³⁹⁶ It was becoming clear that the Americans still would not play ball with him.

Berle's about-face is surprising in two regards. One, he was now seeking to subject TACA to Pan Am, a move which he had opposed for years. Yet even more surprising, he was willing to contravene his own "open skies" policy. His statement to the effect that the United States did not have to permit TACA, as the duly designated line of four sovereign Central American countries, to carry passengers and material out of its territory is at complete odds with the policy which he would present to the British less than three months later at a formal international conference. Yet such was his fear of British influence in TACA, for Yerex's airline now represented a real threat to Berle's overall scheme for commercial aviation. Specifically, TACA could undermine his leverage with the British. Berle's *quid pro quo* offer of the previous June to the British rested on the assumption that the United States controlled the airways of the western hemisphere. If TWA were to sell out to the British, this would nullify that assumption and the American bargaining position. Worse, if TACA had access to the United States, the British would have a means of tapping into the trans-Atlantic market, albeit in a roundabout way, without having to reciprocate by opening their skies.³⁹⁷ Thus, Berle had to resort to hypocrisy. He had to keep the skies over the United States and the western hemisphere closed in order to safeguard the multilateral program and "open skies" policy. It was, without doubt, the greatest irony of the whole affair.

Berle's suspicions regarding Yerex's ties with the British were not without foundation. Despite the bad terms on which they had parted regarding BWIA, Yerex continued to court the British. He continued to meet with British representatives in the Americas to present his plans. He emphasized that the Americans were not holding up their end of the "bargain" when it came to providing airplanes for TACA. In fact, as early

³⁹⁶ *Berle Diary*, 5, XI: 2, 186-7.

as January 1944, he was claiming that his American partners were so disgusted with their government that they might sell out to the British. He continued to propagate his idea that the most ideal arrangement would be a cooperative venture between the two powers (with him at its head). Despite his continued efforts at outreach, Yerex received no response from the British per Beaverbrook's instructions. As one official put it, the British had decided to pursue their aviation interests in the hemisphere "through other media."³⁹⁸

The British would soon be reconsidering the idea of going it alone. The American response to the proposed BOAC service to South America had forced a hasty retreat from "other media." Moreover, the situation in the British West Indies was not good. Almost immediately after Yerex left the airline, it began losing money. British records officially listed the losses as about \$2000 per month in mid-1944. Moreover, the British were looking at having to underwrite the purchase of new aircraft. To further add to their costs, the break with Yerex had ended the maintenance of BWIA's aircraft by TACA. As a result, the British airline was now having to pay Pratt and Whitney \$9000 to overhaul its engines, whereas TACA had performed the service for \$1000.³⁹⁹ Suddenly, the decision to "go it alone" without Yerex looked very unwise indeed.

The British, and more specifically Beaverbrook, reconsidered their policy of isolating Yerex. There were indications that Yerex was not happy with his current partners and that they might be willing to sell out. In mid-1944, Beaverbrook decided to invite Yerex to London to discuss the possibilities. The visit was supposed to be secret, but both the American press and the U.S. government were well aware of Yerex's presence in London. British records are scant concerning the meetings between Yerex and Beaverbrook, but they do indicate that the two men discussed the possibility of the British buying out TWA. Also, Yerex brought up the possibility that he resume control of

³⁹⁷ Diary entry, 3 June 1944, *Berle Diary*, 5, XI: 2, 58-60; Dobson, 144-5.

³⁹⁸ Gambert to ACAS, Air Ministry, 26 January 1944, W2252/11/802, F.O. 371/42599; Cribbett to Cheetham, 19 May 1944, W6438/11/802, F.O. 371/42599.

³⁹⁹ minute by C. North to DOCA, 6 December 1944, AVIA 2, 2315, AM; Sir D. Gainer (H.M. Ambassador, Brazil) to Eden, 23 October 1944, W16337/11/802, F.O. 371/42601.

BWIA's operations as well. The Lord Privy Seal decided to contact Berle about the former possibility. British records state that Berle was "definitely opposed" to a British interest in TACA, and that "the plan was therefore dropped." As for the suggestion that Yerex resume his post at BWIA, the opposition came from within the British government. No one debated Beaverbrook's point that Yerex was "a good airline operator." However, the acrimony left over from the BWIA experience was too powerful. Cribbett, of the Air Ministry, stated, "Yerex has shown too clearly that his personal interests are his main concern." He could hardly expect the British government or BWIA to "welcome him back as a staunch supporter of British interests, now that he has found his American friends are not comfortable bed-fellows." Another Air Ministry official stated succinctly, "I believe for integrity's sake-steer clear of dubious characters for against any temporary advantage you lose in the long run."⁴⁰⁰

For the moment, the British did indeed "steer clear." In late August, Ted Scott, a close business partner of Yerex, approached the British ambassador in Colombia, T.M. Snow, to ask for help in establishing a TACA subsidiary there. Scott claimed that both Pan Am and the U.S. embassy were opposed to TACA. The ambassador, who had been an ardent advocate for TACA in the past, was surprisingly cool. He informed Scott that he could not help since the matter involved two American companies. He did state, however, that he could understand that the U.S. embassy would want to support "authentic" American companies. Scott pointed out that Yerex was caught between "the devil and the deep blue sea"-he could not get British support, so he sold out to the Americans, who would not support him either. Snow remained firm-he could take no action. He did take care to mention in his report that Yerex had taken a "devious" course of action by tying in with the son of the Colombian president. Unfortunately for Yerex, his newfound friend had been involved in various scandals and did not have many

⁴⁰⁰ minute by Cribbett to D.G.C.A., 6 September 1944, AVIA 2, 2315, AM; U.S.O.S. to P.U.S., 9 September 1944, AVIA 2, 2315, AM; minute by U.S.O.S. to P.U.S., 9 September 1944, AVIA 2, 2315, AM.

supporters in the government. For their part, officials in the Foreign Office applauded Snow for refusing to become involved.⁴⁰¹ For the moment, the British kept their distance.

Despite the almost sanctimonious dismissal of Yerex, there remained doubts in the British ranks about the wisdom of such an attitude. Soon after Yerex visited London, the new managing director of BWIA, Kenneth Murray, visited as well. The purpose behind the visit was to plan BWIA's services and determine the resources needed for these operations. British officials soon found themselves dealing with another ambitious individual. Murray proposed that BWIA not only establish inter-island services, but also develop international services between North and South America, as well as a route to Britain. Both the Colonial Office and the Air Ministry stood firmly against these ambitions, for many of the same reasons they had opposed similar schemes by Yerex: they would upset the Americans and interfere with other British aviation plans (i.e. by competing with BOAC on the trans-Atlantic run). Worse, while Yerex had made BWIA a self-sufficient enterprise, Murray insisted that some form of subsidy would be needed. Murray made sure to disparage Yerex, stating that he was "unreliable" as an ally and "dangerous" as an operator. In fact, he told one British official that TACA "has killed more people than is generally known." Cribbett would agree that Yerex "is known to be an operator who does not conform in all respects with the safety requirements of the Paris Convention." However, officials in both the Colonial Office and the Air Ministry admitted that Murray was likely biased against Yerex and thus his opinion of Yerex was subject to doubt. Also, Cribbett noted that he was "inclined to trust Mr. Yerex's judgment" as to whether BWIA could run without a subsidy. Yet with Murray at the helm, there were doubts that this dream could be realized. Still, the British believed themselves to be committed to BWIA, whatever the cost.⁴⁰² They would soon find

⁴⁰¹ Snow to Eden, 25 August 1944, W13399/11/802, F.O. 371/42601; minute by Cheetham, 20 September 1944, W13399/11/802, F.O. 371/42601.

⁴⁰² minute by Bigg, "Aviation: British Air Services British West Indian Airways," 20 June 1944, C.O. 937, 25/2 (Part II); Masefield to Bigg, 7 July 1944, C.O. 937, 25/2 (Part II); minute by Cribbett to DGCA, 7 July

themselves pouring money into a losing operation. As the months passed, the notion that Yerex might prove useful to British aviation remained alive.

Meanwhile, the British and the Americans were viewing each other with growing concern. The latter was certain that the former was trying to get a “jump” in the field of international aviation. For their part, the British were alarmed by Berle’s desire to begin an orderly “move-out” which would place BOAC at a grave disadvantage. Initially, according to Dobson, Beaverbrook was willing to go along with a “move-out,” but either reconsidered or was overruled by his Cabinet colleagues. He then took another tack. He sent a note to Berle in late August suggesting an international conference, stating that if the Americans could not host one because of political considerations (the 1944 presidential election), the British would be glad to do so themselves. Beaverbrook told the War Cabinet, however, that he did not expect the Americans to accept, as they seemed set against a conference. He warned his colleagues that the Americans were building thousands of aircraft for “transport purposes” and that several American airlines were applying for international operating licenses. If a “move out” took place, he declared, the British had “no alternative to our going forward with the development of air lines of our own.” However, the Lord Privy Seal was in for a surprise. Berle, upon receiving Beaverbrook’s note, submitted a memo to Hull urging that, one, the U.S. government publicly adopt the “open skies” policy and, two, avoid a conflict with Britain by calling an international conference. While Pogue and other important figures opposed Berle on both points, Roosevelt supported both ideas, and thus the Americans informed the British on September 9 that they would convene an international conference at Chicago on November 1. Thus, the stage was set for a momentous meeting.⁴⁰³

For a brief while, Lowell Yerex would be lost amidst the flurry of activity as both sides prepared for the conference. His ongoing struggles in Latin America would not go

1944, AVIA 2, 2315, AM; minute by Burkett to DGCA, 6 July 1944, AVIA 2, 2315, AM; minute by Cribbett to DGCA, 31 August 1944, AVIA 2, 2315, AM.

on hold, but at this juncture both sides had larger issues to consider, or so they thought. Yet as the meeting loomed, Yerex was planning. His latest course of action had proven disastrous. He had tried the Americans and found them wanting. He did not receive the airplanes and the assistance he desperately needed. Worse, he had lost control over his old enterprises. Yet Yerex did not resign himself to his fate. He once again was planning to regain control over his enterprises, and believed that his best chances for doing so lay in turning to London once more for help. Once again, circumstance would favor him-almost.

⁴⁰³ "Civil Air Transport," 1 September 1944, *Papers of the War Cabinet, 1939-1945*, vol. 43, 114 (44): pp. 1-4, 3-7; Dobson, "The Other Air Battle," pp. 435-39.

CHAPTER EIGHT: THE MONGREL

Like its sister cities in the Midwest, Chicago was (and still is) a working town. Its foremost features were its railroads, slaughterhouses, trading centers, and factories. These produced and shipped great quantities of materials for the war effort. It was a no-nonsense, blue-collar kind of place. This was the city that the United States chose for hosting the International Civil Aviation Conference in 1944.

In a sense, Chicago was an appropriate choice. Paris had hosted the first conference in 1919, at a time when aviation had an air of romance and chivalry. Havana had hosted the American aviation conference in 1928, at a time when airlines promised an escape to exotic and distant lands. Now, Chicago would usher in a new age for international airlines. Gone would be the days of privilege and luxury, with the masses gawking at the sights of such operations on the movie screen. World War Two had changed transport aviation, dramatically expanding the scope, reliability, and frequency of its operations. Planes became larger, faster, and more economical. In the process, they became more accessible. Many service personnel, diplomats, and businessmen flew on such services. Suddenly, what had been the playground of the few became the possibility for many. What would emerge in the postwar period was an industry in which economics and profits rather than politics and prestige would be the driving forces. Quite simply, international airlines would learn to do anything to make a dollar.

Yerex had pioneered this “make a buck” approach to airline operations. He would now witness many others following in his footsteps. He would not, however, play a part in the postwar stage. He was now a mongrel to both sides, unloved and distrusted. He would make yet another appeal to the British, who, realizing the changing times,

considered using him. Yet they would turn away, wounded by their earlier experiences. In the coming months, Yerex would find himself on the margins of both his enterprises, having lost the one thing he cherished most: control.

Chicago in November is not a tourist haven. The warm days of summer and baseball are a faint memory, and the crisp days of fall with football have passed, with irregular encores. A chill is in the air, as the days become increasingly gloomy. Winter is coming, when much time will be spent inside. Diversions seem few and far between, and the coming months promise to be long and dreary.

Fifty-two nations came to the conference, but the great powers, of which there were only two, would shape it. The Axis powers were not present, the ascendant Allies having disqualified them from the planning. Despite its recent liberation, France was in no position to influence international policymaking in the field, and Nationalist China, despite the impending Japanese defeat, held no greater sway. The most notable absentee was the Soviet Union. The United States had made every effort to involve the Soviets. In the preliminary talks with the British, the U.S. government had emphasized the need for Soviet involvement. It had made repeated efforts to encourage the Soviets to attend the conference and in fact counted on the Soviets to take a leading role. The Soviet response was, for lack of a better word, puzzling. They dispatched a delegation that made it to North America, but this did not proceed to Chicago, instead returning home suddenly. The Soviets subsequently announced that Soviet airlines would provide all services between their territory and the outside world. Perhaps they, like the British, feared American inundation. For American policy makers, the Soviet response was disappointing and perhaps somewhat alarming.

It was left to the two old rivals, Great Britain and the United States to determine the outcome of the conference. Unfortunately, they determined much before the conference began. On the U.S. side, FDR appointed Berle to head the American delegation. This choice belied the disunity that existed in American ranks. Pogue and the

service departments remained opposed to Berle's multilateral plans and "open skies" policy. Influential elements in Congress were eyeing any State Department initiative with suspicion, and Juan Trippe remained a powerful force both within and without the halls of Capitol Hill. Yet in the weeks leading up to the conference, Berle seemed ascendant. He had FDR behind him, and he would oversee not only the American delegation, but also the conference as a whole. He would exercise a powerful voice in setting the agenda and in shaping the results. Moreover, he set the tone for the American side. Whether supporter or opponent, all interested parties in the United States spent the months of October and November talking about "open skies" and the "freedom of the air."⁴⁰⁴ American intentions for the conference seemed clear.

On the other side of the Atlantic, far more dramatic events were taking place. The first involved a change in leadership. Beaverbrook, disappointed by his inability to reach a quick and decisive settlement with the Americans, relinquished control over British civil aviation policy. The Cabinet appointed Lord Swinton to take his place. Such a move was bound to greatly affect the British effort at Chicago, coming at so late an hour. Swinton had been involved in civil aviation during the interwar years, but had spent much of the war in West Africa as Britain's High Commissioner, and was unprepared for the conference. There was another "twist." Swinton was an imperial protectionist, determined to prevent American inundation of the British Empire. Doubtless his West African experience reinforced this tendency, as he had witnessed American air transport power passing right through his domain with little competition. He was bound to clash with any American notion of "open skies." H.M.G. supported this stance in October when it published a White Paper for international commercial aviation. It declared that the British were willing to support the first four of the "five freedoms": the rights of transit, technical stop, carrying cargo and passengers to foreign stops, and carrying cargo and passengers from foreign stops. However, these freedoms were to be subject to international controls

⁴⁰⁴ Dobson, *Peaceful Air Warfare*, 149-64.

(i.e. traffic quotas). Moreover, the “fifth freedom,” the right to carry passengers to and from intermediate points, was to be “a matter for negotiation.” The British made it clear that they wanted an agreement that would control American airlines.⁴⁰⁵ They and Americans were on a collision course.

When the conference opened, personal differences augmented the policy disputes. Berle and Swinton took an immediate dislike to each other, and the conference never recovered. This is not to say there were no opportunities for agreement. During the first week of the convention, Swinton began to give ground. He conceded that any convention (and thus any international authority) would have only advisory powers early in its existence. He also stated that the British White Paper was but an opinion, and in light of American progress at negotiating with other nations for air routes, he was prepared to deal as well. The reason for Swinton’s surprising malleability was the fact that the British had failed to rally support for their plans, even amongst the Dominions. The Canadians, in particular, were proving to be quite independent. The British faced the choice of being left behind or making the best deal they could with the Americans. U.S. power and influence was on the verge of overpowering British objections. By November 6, Berle was confident that there were no issues that would stand in the way of an agreement.

For a few more days, circumstances seemed to justify his confidence. The two sides came close to working out their differences on the matters of traffic regulation and the “fifth freedom.” Regarding the former issue, the Americans agreed to an equal division of flights with the British over routes the two nations shared. The British, in turn, acceded to an “escalator clause.” If the airline(s) of one nation operated at 65 per cent capacity over a certain period, that nation could increase the frequency of its flights. This gave the British a semblance of regulation, while permitting the Americans some competition. Regarding the “fifth freedom,” the British agreed to permit intermediate pick-ups on the condition that the fares charged by airlines at intermediate stops would be

⁴⁰⁵ Ibid., 161-3.

higher than those charged by competing companies whose flights originated at that stop. In essence, if an American carrier were to pick up traffic in London on a stopover between New York and Paris, it would have to charge more for the London-Paris segment than would a British carrier operating a service between London and Paris. By November 17, the British perspective thought they had a compromise. They were in for an unpleasant surprise.

On November 18, the Americans declared that they had not agreed to higher rates at intermediate stops, and that they meant to apply the escalator clause more liberally than the British had intended or wanted. The Americans stated that if any segment on a multisegment route (i.e. New York to London to Paris) operated at 65% capacity, the frequency on the entire route was subject to increase. From the British perspective, this made a mockery of any compromise. With no rate controls at intermediate stops and with such liberal interpretations of traffic restrictions, the Americans would certainly dominate the field. The British balked, and the conference was in a stalemate.

The Americans now tried to force British compliance. FDR joined the fray on the 21st. He sent a note to Churchill which declared that the Americans did not want to see the conference fail, but which also placed the onus for further compromise on the British. Churchill sent a kind yet firm reply refusing to give in, pointing out that the British had already compromised and that the American demands were far more than the British were willing to grant. He suggested that the two sides should reach an agreement on the technical matters and postpone the rest for later consideration. This went over like a proverbial lead balloon in Washington, and U.S. hard-liners convinced the White House to send a rather harsh reply. FDR warned that if the British did not make concessions, Congress might not be "in a generous mood" when it met in a few weeks to consider the latest Lend-Lease requests. The threat was clear. It angered the British, with one official referring to its message as "pure blackmail." Churchill sent another restrained yet firm note in which he pointed out that the British had placed themselves at a great

disadvantage in the field by opening their bases to American transports and by acceding to the Lyttleton agreement. He made a specific appeal to the American sense of fair play by arguing that the British were simply not in a position to compete with the Americans, and thus strong-arm tactics were hardly fair. He reiterated that the two sides should strike an agreement on technical matters and leave the rest for later.

The matter would pass by the wayside, though not because of any American sense of fair play. Much like the British, the Americans found little support amongst the other attendees at the conference. They too feared American inundation, and would not support the American “open skies” plan. The greatest problems for the Americans came from within their own ranks, however. While Berle had the backing of the White House, or so it seemed, some members of the delegation were opposed to his “open skies” plan. These included some congressmen with ties to Pan Am. They complained anonymously to the press that the administration was “dictating” a policy that would “give away” international aviation to European competitors. The resulting articles in the Chicago papers revealed the disarray in the American ranks and effectively crippled Berle in his dealings with the other nations at the conference.

As if this were not enough, matters soon took a turn for the worse. In the midst of the conference, Hull resigned from his post, with Edward Stettinius succeeding him as Secretary of State. The new secretary was the brother-in-law of Juan Trippe and a supporter of Pan Am. Berle immediately received a letter from FDR expressing regret over the assistant secretary’s “resignation.” Berle, clearly surprised by the turn of events, nevertheless accepted FDR’s decision. The events surrounding this shocking development remain shrouded in mystery. Berle clearly did not “resign” of his own volition. What role Stettinius or Pan Am had in the matter is unknown, as no records detail their involvement. As for FDR’s records, they are silent as well. This is hardly surprising, since FDR was notorious for not documenting what went on in his office or mind. Berle suspected that Stettinius had something to do with his ouster, but he could

never prove this. Whatever the cause, Berle's sudden exit from office undermined his standing at Chicago. Though he was able to remain as the head of the American delegation, he was out of the State Department and out of policy making. The conference came to a close with little to show for either side. There was no international mandate for the "open skies" program. The nations did agree to form the International Civil Aviation Organization, but this had no regulatory powers. There were agreements on technical matters, but the commercial issues that had dominated the minds on both sides of the Atlantic remained unresolved.⁴⁰⁶

As much as anyone, Lowell Yerex must have viewed the conference with disappointment. In fact, his situation as a whole must have been disheartening. The Americans had not met his expectations for aircraft and landing rights. His meeting with Berle left the clear impression that the Americans were unlikely to help TACA. Then, at the conference, the United States lobbied for a resolution mandating that any designated international airline must be under "national" ownership. In essence, if Nicaragua designated a given airline as its international carrier, the majority ownership of this airline would have to be in Nicaraguan hands. As one British Air Ministry official noted, this measure was "clearly aimed at the destruction of T.A.C.A." Various smaller nations, most notably some from Central America, vigorously opposed this, arguing that the lack of sufficient capital in their respective nations would leave them with no airline, and thus dependent on the airlines of larger nations. The Americans dropped the proposal.⁴⁰⁷ While this may have heartened Yerex, there was little doubt that his airline was not in favor in the United States.

Of course, he could not turn to the British...or could he? During the last days of the conference Yerex asked Cribbitt of the Air Ministry, who was serving on the British

⁴⁰⁶ For a complete study of this conference, consult: Philip Cockrell, "International Civil Aviation and United States Foreign Policy," *The Proceedings of the South Carolina Historical Society* (1991): 29-46; John A. Miller, "Air Diplomacy: the Chicago Civil Aviation Conference of 1944 in Anglo-American Wartime Relations and Postwar Planning," (Ph.D. diss., Yale University, 1971).

⁴⁰⁷ Cribbitt to Hildred, 10 December 1944, AVIA 2, 2333, AM; Yerex, 167-8.

delegation, if the British might still be interested in TACA. He stated frankly that the Americans had “made it plain” that they were not going to support the airline. To make matters worse, for the first time in TACA’s history its Central American operations were losing money. Yet there was good news. One of the American investors wanted to sell its stocks consisting of 9.5% of the company. If British interests bought this, Yerex stated, he would enter into a voting agreement with them, effectively returning control of the company to the British. He told Cribbett that he understood that H.M.G. might not be able to make the purchase, but suggested that a private British firm might with the right encouragement. Would H.M.G. be willing to provide such encouragement? Cribbett was non-committal, but agreed to pass along the idea for consideration.⁴⁰⁸

Once again the British faced the question: could they work with Yerex? As Cribbett noted, it was out of the question for H.M.G., as it was “accepted policy [that] we cannot do so.” However, there were several things to recommend encouraging a private company to do so. As one official pointed out, for a comparatively small investment the British could secure an “extensive” foothold in the western hemisphere and a sizable customer for their transport aircraft (once they went into production). Plus, they would have an operator with “unrivalled knowledge” in South American commercial aviation. Yet there were problems as well. One reason for the “accepted policy” of H.M.G. was the threat of American opposition. The greatest concern, however, was Yerex. The very same official who mentioned the above benefits of backing Yerex also worried that the New Zealander was likely to place his interests ahead of those of the empire. Plus, he seemed to have “little faith in British enterprise to compete successfully with America either in aircraft production or air line operation.” This official cited Yerex’s behavior over BWIA as evidence of his lack of trustworthiness.⁴⁰⁹ Thus, the desire to check the increasingly aggressive Americans with Yerex was tempered by ongoing concerns over larger policy and personal character, and even a tinge of resentment.

⁴⁰⁸ Cribbett to Hildred, 23 November 1944, AVIA 2, 2333, AM.

Despite these initial doubts, the British proved surprisingly favorable. The Air Ministry took the lead in the matter. Its officials decided that it would be in the best interests of British aviation if H.M.G. were to encourage a private purchase of the TACA stock. As one Air Ministry official explained, the proposal was attractive because, one, it would provide an “essential” foothold in Latin American commercial aviation and, two, it would ensure a market for British aircraft. The Ministry promptly urged the Treasury to approve the necessary dollars for such a purchase “while the iron is hot.” It also contacted British Latin America Airways (BLAA)⁴¹⁰ and encouraged its officials to talk to Yerex.⁴¹¹

Meanwhile, Cribbett remained in contact with Yerex. On December 10, the New Zealander reported that TACA’s board was considering issuing \$1 million in non-voting notes that could later be converted to stock, and that TWA was prepared to buy them immediately. Yerex proposed that he would “buy some time” by demanding a “substantial premium” for the conversion of the notes. He estimated that this would give the British about seven days to act. He also estimated that it would cost the British buyer about \$1.5 million to purchase the notes and the stock. However, he also believed that even if TWA bought the notes, it might be willing to sell the stock to a “dummy” American corporation. Cribbett commented “I realize that this seems rather like a confidence trick but I am convinced that Yerex is now anxious to collaborate with us, if for no other reason than that the Americans, both in official quarters and amongst his rivals are anxious to end the T.A.C.A. organization.” As a result, Yerex “can be relied upon to take refuge under our wing in his fight for existence.”⁴¹²

Not all were so confident. The Treasury had some concerns. First, it pointed out that the “effectiveness” of British control would depend on Yerex, and in light of his “past history”, his “loyalty to the British cause in South America is anybody’s guess but

⁴⁰⁹ Cribbett to Hildred, 23 November 1944, AVIA 2, 2333, AM.

⁴¹⁰ BLAA was an enterprise that a group of British shipping companies had formed to operate air services between Britain and South America. It later became British South American Airways (BSAA).

⁴¹¹ Hildred to Cribbett, 6 December 1944, AVIA 2, 2333, AM; C.W. Evans (Air Ministry) to B. F. St. J. Trend (H.M. Treasury), 7 December 1944, AVIA 2, 2333, AM.

nobody's certainty." Second, if there were to be further issues of capital, the British would have to insure that they got a proportional share. Third, TACA was likely to face stiff competition from the Americans, and the British had better ascertain TACA's condition before investing any money. Finally, H.M.G. policy with regard to South American lines was not set. Still, the Treasury admitted, Yerex provided an opportunity that was unlikely to recur, and thus it was willing to approve the transfer of funds if an investor was convinced "from his own purely commercial point of view" that the investment would be worthwhile.⁴¹³ In essence, Treasury officials were willing to sanction the deal, but it was up to a private investor to commit the money, and as a commercial, not political, initiative. Their distrust of the New Zealander was too great.

The Air Ministry, despite its efforts on Yerex's behalf, echoed the Treasury by insisting that any purchaser would have to realize that this was a commercial, not a political, venture. It emphasized that H.M.G. would not be directly interested in a TACA buyout. Cribbett made the reason for this caution clear. He declared that he doubted "the advisability of H.M.G. being further associated with this question," making specific reference to Berle's response to the Beaverbrook inquiry about TACA the previous summer. Despite the breakdown in Anglo-American relations in the area of commercial aviation, ministry officials had no desire to arouse the Americans over the issue of TACA. Hildred insisted that the ministry would only play the "honest broker" in any "explorations," and that it would show no other interest in the matter. Circumstance added yet another constraint. As Cribbett noted, H.M.G. had not yet decided on a definite plan regarding the organization of its airlines. Some were calling for the state to take over the entire industry, while others desired varying degrees of free enterprise and competition. When one investor approached the ministry about the possibility of buying into TACA, he also sought certain assurances that the government would permit him to operate a route between South America and Britain. Since the policy was not set, Cribbett

⁴¹² Cribbett to Hildred, 10 December 1944, AVIA 2, 2333, AM.

could promise him nothing.⁴¹⁴ The effect of this was to discourage the very investors the ministry supposedly wished to encourage.

The ministry did manage to interest several potential investors, most notably Evelyn Baring and BLAA. The possibilities were not lost upon them. A.C. Tod, an associate of Baring, reiterated much of what ministry officials had been saying: TACA could provide them with an extensive network in Latin America. Yet they had their concerns as well. Tod was well aware of the history between Yerex and the British and admitted that Yerex “might not be everything that he is supposed to be.” Still, he thought the risk worth taking. Yerex, he declared, had come to realize that the American dollars he had received from his sellout “had a bit of a sting in their tail.” Tod concluded, “like many people the more he sees of these gentry the less he cares for having dealings with them.” Yet while Tod had some confidence in Yerex, he had “no confidence that our Government will take a constructive attitude towards Aviation except actually within the British Empire.” He complained to Baring that he did not believe that the Air Ministry was taking the matter seriously enough. After all, he argued, they should be dealing with someone above the level of Assistant Under Secretary for Air (Cribbett). Baring passed these concerns along to Cribbett, who promptly issued a response assuring Baring that his superiors were aware of the matter and his handling of it.⁴¹⁵ Still, the H.M.G.’s handling of the matter hardly encouraged the investors.

On the 9th of January, the interested parties managed to arrange a meeting with Hildred and Cribbett. The ministry officials carefully explained that while it understood the benefits of buying into TACA, H.M.G. was in a “delicate position” vis-à-vis the Americans. As a result, it had to keep its involvement to a minimum. However, it had convinced the Treasury to approve the transfer of dollars. Tod commented that this was

⁴¹³ Trend to Evans, 14 December 1944, AVIA 2, 2333, AM.

⁴¹⁴ minute by Cribbett, 16 December 1944, AVIA 2, 2333, AM; minute by Hildred, 17 December 1944, AVIA 2, 2333, AM; minute by Cribbett, 19 December 1944, AVIA 2, 2333, AM.

⁴¹⁵ Evelyn Baring to A.C. Tod, 28 December 1944, AVIA 2, 2333, AM; Tod to Baring, 27 December 1944, AVIA 2, 2333, AM; Cribbett to Baring, 29 December 1944, AVIA 2, 2333, AM.

tantamount to an “unofficial blessing” by H.M.G. The ministry officials also offered to facilitate communications between Yerex and the interested parties, and to check on a related matter. However, they emphasized that the government was merely putting the two parties together. It would be up to the investors themselves to make the decision. Tod summed up the position of the investors by stating that the opportunity promised much, and that if British investors failed to take advantage of it without a good reason, they would face much public criticism later. Thus, the investors decided to proceed. It fell to John Booth, chairman of BLAA, to deal with Yerex directly. He contacted his representative in the United States and instructed him to meet with Yerex. He was to obtain information regarding the shares and notes available for sale, as well as a full audited statement of TACA. On a more personal level, he was to ascertain whether TWA would be amenable to British participation, and whether Yerex would indeed vote with the “British” interest.⁴¹⁶

Meanwhile, the Air Ministry took up the related matter. At the meeting, apparently at the behest of some present, ministry officials agreed to explore the possibility of having Yerex reinstated in his old position at BWIA. As shocking as this may seem, the situation at BWIA was even more shocking. Since Yerex’s resignation, the airline had become an embarrassment to H.M.G. and a serious drain on the Treasury. In mid and late 1944, the airline had to suspend or discontinue seven of its nine routes due to an aircraft accident that eliminated one of its two operational Lockheeds. Since the other was long overdue for a “major overhaul,” the airline faced suspension of all its operations. It asked the British government to fund the purchase of three Hudson aircraft to avoid this. Realizing that a shutdown would be a serious blow to British prestige, the government readily agreed. Yet even though the aircraft arrived in the fall of 1944, BWIA

⁴¹⁶ “Note of a meeting on 9th January 1945, presided over by D.G.C.A. and attended by Mr. Evelyn Baring and Colonel Tod of Barings, Colonel Spence of the Royal Insurance Company, Mr. John Booth, Chairman of Latin American Airlines, Colonel Lamplugh of aviation and General Insurance Co., Ltd., and A.U.S. (C.A.),” 9 January, 1945, AVIA 2, 2333, AM; John Booth (Chairman, British Latin American Airways) to Eland, 10 January 1945, AVIA 2, 2333, AM.

proved unable to restore many of its services. The Colonial Office became so concerned that it sent Benjamin Cross to the West Indies to examine the situation. His report was damning. Cross criticized the airline for its poor services in the region, commenting that BWIA had a bad reputation in the West Indies amongst British subjects and outsiders. The Hudsons, he pointed out, were not suitable aircraft for commercial operations in the region, particularly in light of their poor one-engine performance. There was little reason to question Cross' harsh assessments. The Secretary of State for the Colonies would later admit that BWIA was regarded as "a poor joke."⁴¹⁷

The gravest concern for H.M.G., however, was BWIA's poor financial performance. The government was prepared to provide some subsidy for the airline. When the airline asked for 100,000 pounds to buy the three Hudsons, it readily agreed. However, the government soon discovered that the financial demand was going to be far greater than anticipated. The airline soon revised its funding estimate for the Hudsons to 186,000 pounds, which "greatly disturbed" the Treasury. In the wake of the purchase, the airline further requested 400,000 pounds for "necessary works." The Colonial Office was so taken aback that it demanded an explanation of what these works were and some assurance that this would be the final financial demand by the airline. The only reply from the Caribbean was another request for two more aircraft. This sudden drain on resources led the Colonial Office to dispatch Cross to investigate the airline. According to Colonial Office records, what he discovered about the company's financial situation was "so disturbing" he would not even discuss the matter with BWIA officials. The company's own officers admitted the airline's operating deficit was \$86,000 as of September 1944, and that due to a "steadily deteriorating" financial situation it would be over \$200,000 by the end of the year. In fact, in October, the governor in Trinidad urgently requested government funds for BWIA, warning that if the company did not receive them

⁴¹⁷ Clifford to Secretary of State for the Colonies, 28 March 1945, C.O. 937, 26/2; Benjamin Cross, "The Development of Civil Aviation in the British Caribbean Area," 15 December 1944, C.O. 937, 26/1;

immediately, it would have to suspend operations. Aghast, the Colonial Office approved an emergency grant of 24,000 pounds. In November, company officials asked for \$272,774 to continue operations through the end of the year. The requests would keep coming. The Colonial Office estimated its expenditures, as of March 1945, at over 200,000 pounds, with another request for 38,000 pounds awaiting a response. As one official put it, the financial situation was “highly unsatisfactory.”⁴¹⁸

Such a large deficit demanded an explanation. For their part, officials in the West Indies blamed circumstance. They pointed to the high costs of surveying new routes and recruiting personnel as the chief problems. They also faulted the Hudsons as uneconomical. Finally, they cited the lack of planes in the middle of the year as another reason for the losses. Yet not all were so willing to attribute the problems to circumstance. In his report, Cross laid most of the blame on the management. He blasted them for poor operating practices, an inflated staff, and grandiose expenditures. He was particularly critical of Murray, who had a large salary and several subordinates working for him. In light of the airline’s small size and mounting deficits, Cross questioned the necessity and wisdom of such extravagance. He readily admitted that the Hudsons were uneconomical, but did not let BWIA officials off the proverbial hook on this matter either. He pointed out that they were flying the Hudsons with only eight seats, when in fact the airplanes could carry as many as fourteen passengers. While operating them at capacity would not make them profitable, it certainly would help cut the deficits.⁴¹⁹ The implication of the Cross report was clear: BWIA was a poorly run airline and in desperate need of new management.

“Record of meeting Held at the Colonial Office on the 15th of February, 1945,” 15 February 1945, AVIA 2, 2315 (Part 4).

⁴¹⁸ “Note of a discussion with the Treasury on 4th January 1945,” 4 January 1945, C.O. 937, 26/1; Bigg to Cribbett, 30 December 1944, C.O. 937, 26/1; L.A.P. O’Reilly (Chairman, BWIA) to A.B. Wright (Colonial Secretary, Trinidad), 13 November 1944, C.O. 937, 26/1; Clifford to Secretary of State for the Colonies, 18 November 1944, C.O. 937, 26/1; minute by J.B. Williams, 6 March 1945, C.O. 939, 25/5.

⁴¹⁹ O’Reilly to Wright, 13 November 1944, C.O. 937, 26/1; Cross, “The Development of Civil Aviation in the British Caribbean Area,” 15 December 1944, C.O. 937, 26/1.

To officials in the Air Ministry, the solution seemed evident: reinstate Yerex. As Hildred frankly stated, “Yerex is the best freight air line operator in the world.” As ministry officials feared, however, the Colonial Office was not receptive to the idea. As one ministry official stated, the events of the previous year had “created such a profoundly bad impression of Yerex” in the Colonial Office that reconciliation was “impracticable.” The Colonial Office emphasized that the hostility between Yerex and B.W.I.A. officials, most notably Sir O’Reilly, would make any harmonious relations impossible. O’Reilly, it warned, was simply too powerful a political figure in the region to “sidetrack,” and the Colonial Office could not hope to impose Yerex upon the airline.⁴²⁰

The Colonial Office would find itself under pressure from the highest levels of the Air Ministry. A few days after the its rejection of Yerex’s reinstatement, Swinton penned a memo making clear that the ministry was not satisfied with the response. British interests, he noted, had a great opportunity in TACA that they could ill-afford to miss. Yerex was integral not only to TACA, but to British aviation interests in the region as a whole. If he were “properly harnessed in a sound team” he could be “a tremendous asset” to British commercial aviation. Part of Swinton’s plans for British international aviation called for BLAA to operate services linking the West Indies, Central America and South America to Britain. In sum, BWIA would be linked to, and most likely under, BLAA. If Yerex could revitalize BWIA, then he should be in charge. Swinton acknowledged the opposition to Yerex in BWIA, but declared that it was clear that the airline could not succeed under its present management and thus needed the New Zealander.⁴²¹

The ministry quickly passed on this memo to the Colonial Office. The Colonial Office was still unhappy with the idea of returning Yerex to BWIA. However, facing the pressure of Swinton and bearing in mind the escalating costs of the operation (which was causing ongoing strife with the Treasury), the Colonial Office compromised. It informed

⁴²⁰ Cribbett to Baring, 15 January 1945, AVIA 2, 2333, AM.

the Air Ministry that if Yerex were to approach BWIA officials and mend the rift in the company, it would not oppose his reinstatement. However, it declared that in light of the political considerations in the West Indies, it would not take the initiative in the healing process; Yerex would have to begin this himself.⁴²²

At this juncture one might expect that Yerex soon would have what he wanted a year and a half earlier: TACA and BWIA under his control with British backing. Yet the efforts at reconciliation would once again fail. Even as it was expressing a willingness to accept Yerex back in the fold, the Colonial Office was busy undermining the New Zealander. In the very same letter in which he expressed the Colonial Office's willingness to reconcile with Yerex, Bigg commented that one BWIA official blamed Yerex in part for the airline's finances. He claimed that the New Zealander's "lax financial methods" included a tendency to charge the expenses of one airline to another, and that company auditors were finding some rather questionable charges in BWIA's accounts.⁴²³

Colonial Office officials were not the only ones with doubts about Yerex's suitability for BWIA. There were officials in the Air Ministry who also had their qualms. The two branches of H.M.G. met in mid-February to discuss the future of BWIA. Swinton was present at the meeting, and suggested that perhaps the solution to the problem was a "link-up" between BWIA and TACA, if British control of TACA were reinstated. However, an objection quickly arose. The record of the meeting states:

But it was doubtful whether the link-up would in fact lead to TACA's taking a sufficiently great interest in British West Indian Airways' operations; it was recalled that Yerex had taken less interest in British West Indian Airways for its own sake than as a means of strengthening T.A.C.A. Moreover, Yerex was something of a free-booter in airline operations, and conducted his operations, and secured his results with standards of safety that were open to question. It was felt, therefore, that the question of a link with T.A.C.A. should not for the moment be pursued.

⁴²¹ minute by Swinton, 18 January 1945, AVIA 2, 2333, AM.

⁴²² minute by Bigg, 2 February 1945, C.O. 937, 25/4; Bigg to Cribbett, 24 January 1945, AVIA 2, 2333, AM.

⁴²³ Bigg to Cribbett, 24 January 1945, AVIA 2, 2333, AM.

The record does not indicate who made these comments. However, the fact that they address not only BWIA but also Yerex' operations as a whole suggest that some or all were made by someone from the Air Ministry. It is interesting to note that Cribbett was not present. He had dealt directly with Yerex and felt most confident about the New Zealander. Of the ministry officials present, the names of W.W. Burkett and L.J. Dunnett stand out. In later months, they would be highly critical of Yerex, often commenting about his loyalty to Britain and his operating methods. Again, the record does not indicate who made the comments. However, even if the ministry officials did not make them, they certainly did nothing to counter them. The end result of the meeting was a decision that, while BWIA needed a "first-class manager," Murray was to be given "a further period of grace."⁴²⁴ Thus ended the British effort to return Yerex to the head of BWIA.

The campaign to buy into TACA would proceed. Eland quickly met with Yerex in New York. He reported that the American investor seeking to sell out was Adams Express, which held 9.5% of TACA's shares. Yerex estimated that it would take \$1 million to buy out these shares and another commitment of \$1 million to handle any future issues. However, both men agreed that British interests could not make an overt move to purchase these shares. They would need to find an American "nominee" who would act as a front for the British purchaser. Yerex assured Eland that he would vote with the British group in order to maintain British control of the company. As for TWA, he declared that it was "always partial" to dealing with the British as long as it did not contradict U.S. policy.⁴²⁵

However reassuring this may have been to the interested British parties, matters took a sudden and distressing turn. On January 29 Booth reported that the Export-Import Bank had offered TACA a loan of \$1 million on the condition that the company raise another \$1 million by issuing additional stock. Yerex was urging the British to "intervene

⁴²⁴ "Record of meeting Held at the Colonial Office on the 15th of February, 1945," 15 February 1945, AVIA 2, 2315 (Part 7), AM; minute by Cribbett, 27 January 1945, AVIA 2, 2315 (Part 7), AM.

⁴²⁵ Eland to Booth, 21 January 1945, AVIA 2, 2333, AM.

promptly.” They would either have to approach the U.S. government on the matter or name a nominee immediately. Yerex and Eland agreed that the best candidate was “Phelps” of Francis I. Dupont and Company, which would provide “a suitable cloak” and could obtain the financial information about TACA that the British wanted.⁴²⁶

Yet even as Eland and Yerex urged speed, the developments raised doubts on the other side of the Atlantic. Cribbett commented that he was “mystified” by the sudden need for \$2 million. Had not the original estimate been \$375,000 to buy the stock and about \$1 million to cover the notes? As for contacting the U.S. government, this was out of the question. The only acceptable option was a nominee. In a letter to Cribbett, Baring acknowledged that he understood the reasons behind this. However, he was concerned because he was not familiar with Phelps and thus did not know how reliable he might be. Furthermore, Baring could not understand why Yerex or even Eland could not obtain TACA’s financial information. This was of grave concern in light of the fact that TACA was reported to be losing money. How could the British proceed without examining the financial state of the company? The only information from Eland on the matter was an explanation. He told Booth that the current financial difficulties were due to high overhead costs and a lack of equipment to exploit the need for services.⁴²⁷ While this seemed plausible, it did little to reassure the interested parties in London.

Meanwhile, the government’s motivation to see the completion of the deal decreased. On February 19, Swinton met with Stephenson regarding the issue of Yerex and TACA. Swinton noted that he valued Stephenson’s opinion “very highly.” Stephenson praised Yerex both as a man and as an airline operator. He considered the New Zealander both trustworthy and pro-British, pointing out that Yerex had endeavored to remain loyal to the British cause in the early years of the war “at financial risk to himself.” Moreover, if he entered into a voting trust, he would keep it. However,

⁴²⁶ Eland to Booth, 29 January 1945, AVIA 2, 2333, AM.

⁴²⁷ Cribbett to Baring, 29 January 1945, AVIA 2, 2333, AM; Baring to Cribbett, 1 February 1945, AVIA 2, 2333, AM; Eland to Booth, 31 January 1945, AVIA 2, 2333, AM.

Stephenson did not believe that TACA was vital to British aviation interests. In sum, while Yerex would be valuable, TACA was unnecessary. It would be best simply to make Yerex a director in a British company. Stephenson did warn that Yerex was “fed up” with being brought in on plans that failed to mature. Swinton asked Stephenson to communicate his personal appreciation to Yerex and to tell him that, if he could, he would find a way to use his help. While Swinton was positive about Yerex, this meeting certainly could not have encouraged the ministry to make further efforts to reach out to Yerex. As Cribbett later explained, the ministry was leaving Yerex and the interest British investors to “work out [their] own salvation.”⁴²⁸

The “working out” was a slow process. Booth instructed Eland to consult with a representative of Royal Insurance in New York about using Phelps. A week later Eland was able to report that the representative considered Phelps “entirely satisfactory.” Booth then had Eland approach Phelps with the plan. Phelps readily agreed and began inquiring about the purchase of the TACA stock. He soon encountered a problem. Officials at TACA were willing to sell \$1 million in notes to him, but no stock. While this would give the British a significant share in TACA, it would not permit them to establish control of the company, even in conjunction with Yerex. Eland asked Booth if the British were interested in the “beginning of possible accumulation” of stock.⁴²⁹ In essence, were the British willing to invest some money now in the hope of accumulating enough stock at a future date for a takeover? Suddenly, the simple, straightforward thinking of the previous weeks gave way to a more complex and dubious plan.

At home, the British interests were hardly enthused. They finally obtained TACA’s financial information in early March. The reviews were mixed. An Air Ministry official noted that the projected cash requirements for the coming year seemed

⁴²⁸ Swinton, memo, 19 February 1945, AVIA 2, 2333, AM; Cribbett to Cheetham, 1 March 1945, AVIA 2, 2333, AM.

⁴²⁹ Booth to Eland, 1 February 1945, AVIA 2, 2333, AM; Eland to Booth, 8 February 1945, AVIA 2, 2333, AM; Booth to Eland, 9 February 1945, AVIA 2, 2333, AM; “Extract from Lt. Col. J.S.A. Pearson’s letter dated 22nd February, 1945 to Miss Hogg,” 22 February 1945, AVIA 2, 2333, AM.

“reasonable” and that the projected earning capacity was “encouraging.” However, TACA’s equipment was in desperate need of replacement, its assets overvalued, and its liabilities proportionately high. The ministry did not believe it could give a recommendation one way or the other. After studying the numbers and weighing the risks, the British interests decided against pursuing the matter. As Baring explained, most were opposed to making the necessary investment in TACA. Thus, on the 16th of March, Booth instructed Eland to pursue the matter no further. He claimed that they doubted that the effort could be kept secret much longer and that they worried that the publicity might damage Yerex.⁴³⁰ While the concern was nice, the fact of the matter was that Booth and company simply did not consider TACA a worthwhile investment in light of its financial state.

The demise of the latest scheme brought little protest from the Air Ministry. In fact, Burkett declared that he was not surprised that the British interests had turned away from the deal “now that some of the glamour cast by Mr. Leche around Yerex is wearing off.” He further commented, “his operations do not appear particularly attractive.” As a final shot, Burkett grouched “and a nice ‘pup’ he has sold us in BWIA”⁴³¹ Such acrimony is shocking, particularly since the “pup’s” ill condition was hardly Yerex’s fault.

The end result of the British maneuvering was that TACA remained in American hands. The question that confronted Yerex was: what would the U.S. government do about (or perhaps to) “his” airline. Yet the airline was not really his. In the wake of the Chicago conference, others, most notably officials at TWA, handled TACA’s affairs in the United States to an ever-increasing degree. As the months passed, Yerex would find himself with diminishing control over the dealings with the U.S. government, and

⁴³⁰ minute by Cribbett, 6 March 1945; AVIA 2, 2333, Baring to Cribbett, 13 March 1945, AVIA 2, 2333, AM; Eland to Booth, 17 March 1945, AVIA 2, 2333, AM; Booth to Eland, 21 March 1945, AVIA 2, 2333, AM.

⁴³¹ Cribbett to Baring, 15 March 1945, AVIA 2, 2333, AM; minute by Burkett, 10 April 1945, AVIA 2, 2333, AM.

eventually out of the airline he had built. His departure would be due in part to the government, though the extent of its role remains a mystery.

As noted, the Chicago conference had witnessed the dismissal of Berle from the State Department. The man who assumed the lead role in aviation policymaking within the department was William Clayton, Assistant Secretary of State for Economic Affairs. His main advisor on aviation policy was the chief of the department's Aviation Division, Stokeley Morgan, who had served under Berle and thus provided some continuity in aviation policy. However, after Chicago, U.S. policy changed somewhat. Although the Americans continued to espouse the "five freedoms," the U.S. government shifted its efforts to obtaining them by bilateral agreements. This reflected the rise of nationalist elements in the U.S. government that insisted that the United States needed to secure its economic and strategic interests by using its advantages to drive a hard bargain, not by using multilateral agreements that negated these advantages. Within the executive branch, these voices were strongest in both the CAB and the War Department.⁴³² This increased nationalism would affect Yerex's standing in the State Department and eventually making him *persona non grata* in the American ranks.

As Yerex was dealing with the British over the future of TACA, his American counterparts in the airline were making fresh overtures to the U.S. government. The August meetings between Frye and Berle, coupled with the events at Chicago, left little doubt as to what bothered U.S. officials about TACA. However, the change in department personnel perhaps encouraged TACA officials that they could make a fresh start, particularly if they dealt with U.S. objections. In late January, Frye dispatched a letter to Clayton explaining TWA's interest in and concerns about TACA. He detailed the scope of TACA's operations, arguing that they were integral to the economies of the region and that Pan Am had developed no such services. He claimed that TACA had "Americanized" in 1943 with the "encouragement" and "implied promise of support"

⁴³² Dobson, *Peaceful Air Warfare*, 176-85.

from the U.S. government. TWA had purchased about one-third of the stock. While Yerex had retained about 48% of the stock, American interests owned the rest. TWA had taken steps to “protect” its investment from “foreign control.” It had obtained the right to refuse permission for Yerex to sell any stock and also the right to purchase a controlling interest in the company should Yerex pass away. Thus, Frye attested, TACA was safely in American hands.

TWA had purchased TACA to advance U.S. interests, Frye claimed, and it remained committed to this despite “increasing difficulties.” Amongst these difficulties, Frye noted, was the CAB, which had refused to renew TACA’s permit to land in Miami, although it had granted this privilege to such foreign carriers as KLM. Besides the CAB, TACA had problems getting the proper authorities in the U.S. government to approve the sale of “suitable” aircraft for its operations. It had been forced to buy small, obsolete aircraft at inflated prices. As a result, TACA had incurred a loss of \$912,000 since the buyout.

Despite these obstacles, Frye declared, TWA had not taken advantage of various opportunities to sell out at a profit. It had passed on the Beaverbrook offer of the previous year when the U.S. government made it clear it would not favor such a deal. More recently, the British had suggested becoming “equal partners” in TACA, which, Frye warned, would make the airline “the sole British vehicle of airline expansion in Central and South America.” Despite the temptation, TWA had “stayed” with TACA. To make this commitment worthwhile, Frye continued, TACA would need planes, U.S. landing rights, and money. He reported that in the coming three years TACA would issue \$7.5 million in notes. TWA was willing to invest the money, but it would “be guided in its decision by the Department’s advice.” Quite simply, TWA wanted to know if the department would support its efforts to obtain equipment and U.S. landing rights. Frye added one further question: would the government be amenable to a British partnership in

TACA? He emphasized that TWA would do what was best for the “national interest.”⁴³³ This letter was well crafted. It protested TWA’s loyalty to the United States, giving evidence of its efforts to secure American control of TACA and its willingness to stand by its commitment. It also argued that the U.S. government needed to provide some support so that TWA would not be compelled to sell out to the British. In effect, it placed the onus on the government to reward TWA for its loyal service to the American cause.

Clayton passed the letter on to Morgan, asking him for his observations. Morgan began his reply by noting, “The subject of TACA and its relations with the State Department is an extremely involved picture with developments covering a good many years.” He commented that the department had been “much concerned” by the possibility of TACA serving as a British instrument, and had “viewed with very marked approval the TWA purchase and the reorganization giving Americans majority holding.” However, there was “some doubt” as to how much the department had “encouraged” the deal and how many “implied promises of support” it had made. Berle and Frye had handled this matter orally, and Morgan believed that the latter might be exaggerating the promises. He asserted, “it is obvious the Department is limited in the extent to which it can commit itself with respect to future support.” As for the subsequent complaints by Yerex and Frye, these centered around, one, the CAB, over which the Department had no control, and, two, the lack of planes, which, he commented, were hardly available to anybody. He declared that despite the complaints, “TACA was not unduly discriminated against.” The department had tried to get some planes for TACA, but ran into stiff opposition from the War Department, which “for a variety of reasons has been very unfriendly to TACA and specifically to Yerex. They feared there still might be a revival of British influence in the line.” Still, TACA had received “fair and reasonable considerations” in aircraft applications.

⁴³³ Frye to Clayton, 23 January 1945, 813.796 TACA/1-2345.

Morgan noted that during the past summer Beaverbrook had approached Berle about buying TWA shares in TACA, and Berle stated “very frankly in my presence” that the United States would not favor the British buying up American airlines in Central America and the Caribbean. Frye had then come to see Berle to complain about the treatment of TACA and to demand that the airline get “special and preferential treatment” with regard to landing rights. To this point, Frye’s demand had gone unmet. However, Morgan warned that dealing with TACA was not a simple matter of permitting or denying its requests on the basis of what U.S. policy makers thought best. The situation was “complicated by the fact that TACA operates under the flags of several Central American nations. Under the five freedoms doctrine, one or all of them could designate TACA as their airline to operate a direct service to the United States.” He claimed that the department would approve of TACA receiving landing rights, but pointed out that there were other obstacles, specifically the CAB. Morgan concluded that it would not be possible to give Frye the assurances he wanted in writing, but the department might satisfy him by explaining the situation in a face-to-face meeting. Meanwhile, he suggested that a meeting with the CAB, the War and the Navy Departments about the matter was necessary.⁴³⁴

While one might question some specifics of Morgan’s case for the department’s treatment of TACA, there was little doubt that he was correct in his assessment of the lack of support in the other interested agencies of the executive branch. In early 1945, TACA applied for a loan from the Export-Import bank. As a matter of procedure, the bank contacted various interested departments for their reaction to the application. This did not produce a rejection from anyone, but did prompt some telling responses.

Robert Lovett, the Assistant Secretary of War for Air, sent a prompt response to the Export-Import bank. Lovett declared that the standing policy of the War Department was not to support the transfer of surplus aircraft to airlines based in the Americas “when

⁴³⁴ Morgan to Clayton, 1 February 1945, 813.796 TACA/ 2-145.

in fact substantial ownership or control is in interests other than those of the American Republics without special consideration.” According to the latest information that the War Department had at its disposal, Yerex held 43% of the stock in TACA, while U.S. interests held 42%, with the remaining 15% “in brokers’ accounts, with actual control not known.” In essence, it was “not...clear whether the ownership and control of TACA lies within or without the Hemisphere.” However, the War Department Surplus Aircraft Allocation Committee, at the behest of the State Department, had recently acceded to the sale of 3 DC-3s to TACA by the Foreign Economic Administration for “essential” services in Central America. If the purpose behind the TACA loan application to the Export-Import bank was to obtain funds for these aircraft, the War Department did not see how it could object.⁴³⁵ While the letter made no firm objection to the loan, it certainly demonstrated that the War Department did not favor the airline.

Meanwhile, the CAB passed the letter on to C.G. Neal, General Counsel for the CAB, for examination and analysis. In many ways, his report echoed Lovett’s letter. He noted, “the ownership of TACA Airways, S.A....is not clear.” According to the company itself, U.S. citizens held 56.21% of the stock; however, “the citizenship of the stockholders has not been confirmed.” He acknowledged that 7 of the 8 directors on TACA’s board were Americans, but pointed out that these 7 held only 40.39% of the stock, while the eighth, Yerex, held 41.09%. Moreover, while 8 of the 10 officers were U.S. nationals, Yerex held the key posts of president and general manager. He had “personally organized” each company in the TACA system, and “has always actively directed their operations and policies.” Furthermore, “it is clear that he has an intimate knowledge of the manifold factors involved in the conduct of business in Latin America.” Neal declared, “in view of these circumstances, it is not at all unlikely that Yerex actually controls the entire system.” He cited Lovett’s letter to Pierson, observing “the best

⁴³⁵ Lovett to Warren Pierson (President, Export-Import Bank), 31 January 1945, 813.796 TACA/2-145.

information available to the War Department does not make it clear whether the ownership and control of TACA is within or without the Hemisphere.”⁴³⁶

Surprisingly, although he must have seen this report, Pogue sent a rather favorable letter to Pierson. He commented that TACA had been operating for some time in the region and that “the services rendered have, in general, been of considerable importance to those countries.” Although the CAB favored the loan “in principle,” Pogue noted that the CAB was waiting to hold hearings on TACA’s application for landing rights in Miami.⁴³⁷ While he was willing to permit the loan, the CAB’s real influence would be felt when it ruled on this matter. With Neal’s assessments in the minds of Pogue and his colleagues, they were not likely to be so favorable.

In the midst of these exchanges, the State Department was busy trying to organize an inter-departmental meeting to discuss Frye’s letter and the U.S. government’s policy regarding TACA. After some delay, a meeting took place on the 21st of February. Present were representatives from the State Department’s Aviation Division, the War Department, the Navy, and the CAB. The State Department report of the meeting noted that there was “prolonged discussion” about the matter, but did not detail what was said. What it did present was the following minute:

The consensus of opinion in the meeting was that for the present TACA should be given the same treatment as heretofore. No special privileges and no special obstacles. If a small amount of surplus equipment becomes available and TACA is a logical recipient thereof, it should not be withheld. However, Mr. Frye should be told that the vagueness of the American interest and control in TACA gives some cause for concern, and if the American interest and control could be made more definite and more convincing, it would make it much easier for this government to facilitate the development of TACA. It was agreed that any trend towards increasing the ownership or control of TACA on the part of persons who are not citizens of the American Republics would increase the difficulty of the Government offering further assistance to TACA. With respect to the operating permits, obviously the CAB cannot pre-judge any case. However, if Salvador should see fit to conclude an

⁴³⁶ G.C. Neal to Civil Aeronautics Board, 27 February 1945, “Minutes of Meetings of the Civil Aeronautics Board,” *Records of the Civil Aeronautics Board*, vol. 57, Record Group 197.

⁴³⁷ Pogue to Pierson, 10 March 1945, “Minutes of Meetings of the Civil Aeronautics Board,” *Records of the Civil Aeronautics Board*, vol. 57, Record Group 197.

agreement covering air transport services either of a multilateral or bilateral nature, this would naturally facilitate the entry of a Salvadoran flag airline into the United States.

Mr. Frye should also be informed that under present conditions the Department would not interpose any objection to the Export-Import Bank's extending credit to TACA if the Export-Import Bank saw fit to do so.

Morgan informed Clayton that those present decided that it was best to communicate this consensus to Frye orally, and that if Frye asked for something in writing, it was to be "of a very general and non-committal nature."⁴³⁸

Before Morgan could meet with Frye, the TWA chief sent another letter in which he revealed a plan for "new financing" for TACA which, he believed would have an "important bearing" on the U.S. government's policy for the airline. He explained that at present, U.S. stockholders held 58.33% (452,188) of TACA's shares, with TWA being the largest holder with 29.04% (225,000). Only Yerex, "a New Zealander," held more (318,445). The top ten investors (not counting TWA) held 136,080, while 53 smaller investors held 91,108. He claimed that these numbers reflected "the policy of making TACA a United States enterprise." However, there was a new plan that would advance this policy even further. TACA was to sell \$1.5 million in notes that would mature in 1948 and convert into full-fledged shares. U.S. interests had already subscribed \$1.425 million of these notes, with TWA promising to purchase \$300,000 worth. None of these notes were available to Yerex. When they converted, the notes would comprise 237,000 shares, which would, in effect, increase the American shareholding in TACA to 68.13%. This was "in line with the progressive strengthening of U.S. interests which had its inception in the 'Americanization' of TACA in 1943." He hoped that this plan demonstrated the "earnest effort" to strengthen U.S. control and that the U.S. government would, in turn, provide equipment and landing rights.⁴³⁹

Frye would be sorely disappointed. In a meeting in late March, Morgan relayed the interdepartmental consensus to Frye with little modification. He explained to the

⁴³⁸ Morgan to Clayton, 21 February 1945, 813.796 TACA/2-2145.

airline chief that while “present division of control between British and American interests gives the American interests the majority by a slight margin (57 percent to 43 percent), we considered that very marginal.” He continued, “any developments within the company which increased American participation and decreased the foreign participation would make it that much easier for us to deal with TACA and support their legitimate aspirations.” At this point, Morgan brushed aside Frye’s latest plan, pointing out that even if it were carried out, it would be three years before it came into full effect. Frye agreed, “but said that the trend was definitely in that direction.” Morgan then told him that the U.S. government favored TACA over foreign carriers with no U.S. investment, and thus TACA ranked with such airlines as Panair do Brasil. However, it did not have the same standing as an American flag carrier, such as Pan Am. As for landing rights, this was up to the CAB, but the board, Morgan assured him, “would not oppose TACA because it was TACA.” He also pointed out that if a nation that used TACA as a flag carrier accepted the “five freedoms,” the airline could operate to the United States, subject to CAB approval. Frye commented that he “had it in mind.” In closing, Morgan explained that it was difficult to put the matter into writing, a condition that Frye reportedly accepted.⁴⁴⁰

Morgan’s instructions had been to make any written commitment to Frye in “very general” terms. These instructions might well have applied to State Department records as well. Neither the record of the interdepartmental meeting nor of the meeting between Morgan and Frye provide much detail about what was discussed. To be more specific, neither stated exactly how Frye and company might ease the government’s concerns about who controlled the company, and, more significantly, what was to be done with Yerex. In his biography about his uncle, David Yerex has argued that Washington would contribute to Lowell Yerex’s departure from TACA by making it clear that they did not want Yerex in the airline and therefore giving the U.S. interests an excuse to oust

⁴³⁹ Frye to Clayton, 9 March 1945, 813.796 TACA/3-945.

Yerex.⁴⁴¹ There is no “smoking gun” in American records to clarify the government’s exact role in this matter, or even to confirm that the government insisted that Yerex must go. However, in examining the above reports, some points would seem to support the idea that the U.S. government left Frye and the American partners with the impression that the government would like to see the British subject out of the company.

First, the interdepartmental minute stated, “if the American interest and control could be made more definite and more convincing, it would make it much easier for this Government to facilitate the development of TACA.” Significantly, the very next sentence states, “any trend towards increasing the ownership or control of TACA on the part of persons who are not citizens of the American Republics would increase the difficulty of the Government offering further assistance to TACA.” If one links the two statements, the implication is clear. The government would not countenance the strengthening of the interests of persons who were not hemispheric citizens (i.e. Yerex) at the expense of American interests, and in fact would find it much easier to support the airline if American interests were strengthened at the expense of these non-hemispheric interests. In his meeting with Frye, Morgan emphasized the “marginal” American majority and specifically cited Yerex’s 43% as “British.” He commented to Frye that “any developments within the company which increased American participation and decreased the foreign participation would make it that much easier for us to deal with TACA and support their legitimate aspirations.” Thus, Frye had little choice but to believe that the department and the U.S. government viewed Yerex as the main obstacle to further aid and would like to see the New Zealander’s role in the company significantly reduced.

Second, Morgan was rather quick to dismiss Frye’s proposal to increase American holdings over the next three years. It is clear that he did not think this would be fast enough. One wonders why this is so. It seems likely that Morgan’s desire for speed stemmed from the fear that a long, drawn-out plan might provide time for a “hitch” to

⁴⁴⁰ Morgan, Memorandum of Conversation, 28 March 1945, 813.796 TACA/3-2845.

develop. For example, if Yerex were trying to “play for time” (which he was), then the plan might leave him with an opportunity to turn control of the airline over to the British. Whatever the reasoning behind the concern, Morgan made it clear that the government wanted quick action. While no specific suggestion for action appears in the record, one logical option was to oust Yerex. Considering the implication in the preceding paragraph, it would seem that Frye would have further reason to suspect that the government wanted Yerex out.

Third, Morgan made the point that TACA could use the “five freedoms” to gain access to the United States. However, he also pointed out that any such access would be subject to CAB approval. The record again does not offer any specifics regarding what words Morgan and Frye may have exchanged about the CAB and Yerex. Yet the record does indicate that the CAB had its doubts about Yerex’s role in TACA. Even if Frye were not privy to these materials, the CAB’s attitude toward Yerex had been unfavorable. Again, it would seem that the implication for Frye was that Yerex had to go.

Fourth, and finally, one is left wondering what the department could not put into writing, and why. To a certain extent, secrecy was understandable. Congress was debating the future of international commercial aviation, Pan Am was fighting to retain its monopoly, and there was little certainty as to future arrangements for postwar aviation. The department could hardly promise TWA that it would get routes, planes, and aid. Moreover, if it became public knowledge that the executive branch was making such promises before Congress settled the matter, it could very well cause an uproar and undermine executive policy, as the Berle/Beaverbrook “deal” of the previous spring had done. Yet the extent of the secrecy is surprising. For example, department records fail to offer any detail of the discussion at the interdepartmental meeting. While one could understand not putting certain matters in a letter to Frye, why were the department records so sparse? Was this due to a lack of thoroughness? Or was the policy discussed

⁴⁴¹ Yerex, 169-73.

considered so sensitive, perhaps even diabolical, that the responsible officials did not feel comfortable committing it to the record? There is no way to answer this question. However, the circumstantial evidence points to the idea that the government wanted Yerex out, and that they made this clear to the U.S. business interests, by implication if not by instruction. To what extent these interests “used” this as an excuse to oust Yerex is uncertain. What is certain is that Yerex’s days as an American instrument were numbered.

Yerex must have sensed that he was not in favor with the U.S. government. Furthermore, the control over TACA was slipping from his hands. Frye was increasingly taking over in the dealings with the U.S. government. In the day-to-day business of the network, TWA men were overseeing the development and operation of TACA’s services. Yerex was losing what he loved most: control of TACA. Thus, he had turned to the British. While their purchase of the Adams stock would not give him a majority share in the company, it would provide him with a means of checking the Americans by voting with the British. Moreover, while he gave assurances that he would vote with his imperial colleagues, one wonders if he would not have been willing to change sides on given issues as it suited him. In sum, he would be the deciding factor in the airline’s leadership. Interestingly enough, one condition he insisted upon in his talks with the British was that he retain managerial control of the airline.⁴⁴² Yerex did not want BOAC men running his airline any more than he wanted TWA men doing so. Thus, his efforts to reach out to the British remained consistent with his efforts throughout the years. Lowell Yerex was trying to regain control of his enterprise.

It would slip away from him, but not before he put one last good scare into the heart of official Washington. In April, TACA de Colombia applied to the U.S. government for permission to operate three air routes to the United States under the terms of the 1929 American-Colombian aviation agreement. This pact permitted the national

⁴⁴² Wight to Stanley, 8 November 1944, AVIA 2/2333, AM.

airlines of each country the right to operate to and from the other country. At the time, this worked to the American advantage, as it opened the way for Pan Am to expand.⁴⁴³ However, it now threatened to work to the American disadvantage, for under its terms the U.S. government had no grounds for refusing permanent entry to one of Lowell Yerex's enterprises.

At an interdepartmental meeting, Morgan made it quite clear that the situation was unacceptable. Without elaborating, he declared that the 1929 agreement "was unsatisfactory from several viewpoints" and that it was "preferable" to negotiate a new agreement "which would conform to recent policy before acting on the TACA application." In essence, accepting the TACA application would threaten U.S. interests in a myriad of ways, and thus the U.S. government needed a new deal that would not give TACA easy access to the United States. However, as one official in the Division of American Republics pointed out, this might prove difficult to accomplish. After all, the Colombians might get the impression that now that they were trying to take advantage of an agreement from which the Americans had long benefited, their counterparts were unwilling to grant them a fair return, thereby violating the "spirit" of the agreement. After some discussion, those present agreed that the department should instruct the U.S. embassy in Bogotá to approach the Colombians about negotiating a new agreement. As for TACA, the department was to "hold up" the application.⁴⁴⁴

"Holding up" TACA proved to be tricky. Officials from the airline managed to arrange a meeting with Clayton in late May regarding the application. Morgan, upon hearing of this, sent a letter to Clayton about this "matter of some delicacy." He noted that TACA wanted to operate to Miami, New Orleans, and Los Angeles on the basis of the 1929 agreement. Morgan asserted that the department considered the agreement to be "quite inadequate to meet present-day conditions." He argued that while the Colombians

⁴⁴³ Haglund, 177-88.

⁴⁴⁴ H. Dearborn (Division of American Republics) to Davis, Wright (Division of American Republics), 30 April 1945, 813.796 TACA/4-3045.

would interpret it as applying to scheduled operations, the department believed that it applied only to charter operations, since all scheduled operations, according to “uniform international practice,” were subject to “special agreement.” Morgan then explained that he had anticipated this problem and had instructed the Bogotá embassy to seek a new agreement “along the lines of the present standard form.” He insisted that the United States was not trying to “do Colombia out of any rights,” but that since the Colombians were seeking reciprocal rights, there was a need for “an adequate modern agreement.” He commented that it was “unfortunate” that TACA had made its application at this juncture before a new agreement could be reached. He suggested that the best course of action was to tell TACA that the department considered the existing agreement inadequate and that it was trying to negotiate a new one.⁴⁴⁵

Morgan’s note to his boss is disingenuous in two regards. One, Morgan gave the impression that his reason for seeking a new deal was that the 1929 agreement might possibly lead to a conflict with the Colombians over their rights due to a misunderstanding of the terms of the existing agreement. He treats the TACA application as being an ill-timed inconvenience to the initiative rather than as the reason for the initiative. Second, his line of reasoning regarding the 1929 agreement is puzzling. How could he claim that the Colombians had only “charter” rights? There is little in the agreement (or in any subsequent analysis of the agreement) to substantiate this claim. Moreover, Pan Am had operated scheduled, not charter, services under the agreement for over 15 years. Pan Am could not have had the right to operate a scheduled service while the Colombians had only charter privileges. Even if a legal argument could be made for Morgan’s claim, such a position certainly violated the spirit of the agreement. What is puzzling is why Morgan tried to “sell” these arguments to Clayton. What did he have to gain by, in effect, misleading his own boss? There is nothing in the record to explain this.

⁴⁴⁵ Morgan to Clayton, 22 May 1945, 813.796 TACA/5-2245.

However, it is clear that Morgan did not want TACA de Colombia to operate to the United States.

The meeting with TACA officials took place on the 23rd of May. Among the key people present were Clayton, Morgan, Yerex, and Eduardo Lopez, president of TACA's Colombian subsidiary. Lopez began the meeting by commenting that TACA de Colombia was applying for landing rights under the 1929 agreement, and that TACA officials assumed that the U.S. government would grant them "automatically." Morgan quickly admitted that the agreement was "in force," but argued that it was "very obsolete and inadequate." Thus, the United States was seeking a new "Standard Form" agreement with Colombia. He claimed that there was no intent to deny Colombia reciprocal rights or to give Colombia "anything less" in a new agreement. He noted in his report of the meeting that his proposal for a new agreement was not "palatable" to either Lopez or Yerex, both of whom argued that the Colombians would be "aggrieved" if they were told that now that they had an airline ready to operate under the terms of the agreement, the agreement was no longer any good. Morgan countered that he did not think this would be a problem as long as the United States made it clear that the new agreement would not decrease Colombian rights and that the old agreement would remain in effect until a new one was ready. Yerex then asked if the U.S. government would grant landing rights under the existing agreement while negotiations proceeded on a new deal. Morgan reiterated that the old one was "inadequate," and claimed that a new deal might expedite the process of granting landing rights. He pointed out that under the existing arrangement, the U.S. government would grant landing rights to the Colombian government, which would, in turn, designate an airline, which then would have to qualify as an "able and responsible" carrier before the CAB.⁴⁴⁶

With this last point, Morgan offered TACA a good reason to wait on the new deal. Under the existing agreement, TACA would find itself before the CAB once again, where

⁴⁴⁶ Morgan, Memorandum of Conversation, 23 May 1945, 813.796 TACA/5-2345.

its previous applications had met with little success. Yet he had not pulled any proverbial punches. The U.S. government clearly did not favor TACA's move, and it would press for a new agreement. As for Yerex, this was yet another frustrating obstacle to his plans. Even the possibility that a new agreement might expedite matters could not have obscured the fact that the U.S. government was taking extreme precautions to keep TACA, and him, out of the United States.

Concerns about Yerex's role in TACA received further support in early June, when the FBI circulated a report about the New Zealander. This report, based on information from an unnamed informant, related that the British were "actively backing" TACA. The informant claimed that he had obtained his information from none other than Jack Leche, who had been drunk at the time of their discussion. Supposedly, the "Americanization" of TACA was a fraud that had only given the company an "American background." In reality, many of the "American" companies were in fact dummy corporations used to cover British interests. Furthermore, Yerex had established his Colombian subsidiary with the "full and open cooperation" of British officials in Colombia, including those of British intelligence, who had sought out "suitable" Colombians to have on the board of the subsidiary. These allegations made the rounds in the State Department, including the Aviation Division.⁴⁴⁷ While there may have been some question as to its reliability and accuracy, the report could only reinforce the notion that Yerex might be up to something.

The United States manifested these concerns in its negotiations with the Colombians. When the State Department approached the Colombians for a new deal, it resurrected an initiative from the Chicago conference. It asked that each nation have the right to refuse a permit to the airline of the other if "substantial ownership and effective control are [not] vested in nationals" of the other country. As had been the case at Chicago, the Americans were pushing for this clause with TACA in mind. The

Colombians balked, stalling negotiations.⁴⁴⁸ However, this did not prove to be a problem for the Americans, as the existing agreement permitted ongoing commercial operations. As for the possibility that Yerex might use this agreement for his benefit, this threat would soon disappear.

As the war came to an end, Lowell Yerex faced increasing pressure to get out of TACA. Again, nothing in the State Department records indicates that the department was orchestrating this effort. In fact, it is difficult to gauge to what extent it was aware of it. An Aviation Division memo dated mid-November commented, "TACA will have an increasing percentage of U.S. participation." While this would clearly necessitate a reduced ownership for Yerex, it does not mandate his ouster. However, rumors were coming into the State Department that Yerex was soon to be gone. In late November, Yerex's longtime friend and aide Ed Scott "resigned" from TACA under pressure from its American owners. A report from Panama noted that this might preclude a "retirement" by Yerex and "the elimination of British control from the TACA system."⁴⁴⁹

The Americans did not have long to wait. In mid-December, after a period of intense and bitter haggling, Lowell Yerex agreed to resign his post in TACA and sell his shares to American interests. American records are remarkably quiet about this move. Reports from Central and South America circulated about the terms of the deal and the widespread publicity that the news received. However, there were no reports as to the reaction of official Washington. Considering the stir which Yerex had caused for so many years, this is surprising and only adds to the mystery of the New Zealander's departure from his airline.

This does not mean that Yerex was silent, or that no accounts of the events leading up to his ouster exist. However, these appear exclusively in British records. In an

⁴⁴⁷ Hoover to Frederick Lyon (Chief, Division of Foreign Activity Correlation, State Department), 4 June 1945, 813.796 TACA/6-445.

⁴⁴⁸ Snow to Ernest Bevin (H.M. Foreign Secretary), 6 August 1945, W11285/51/802, F.O. 371/50274.

⁴⁴⁹ Walstrom to Bell, Morgan, 13 November 1945, 813.796 TACA/10-3045; V. Lansing Collins, Jr. (Third Secretary, U.S. Embassy, Panama) to Secretary of State, 26 November 1945, 813.796 TACA/12-2045.

early December meeting with the British minister in Panama, Yerex gave his side of the story. Yerex charged his American counterparts on the board with overtly threatening to force him out of the airline should he refuse to sell out and resign, citing Frye as the chief culprit. He claimed that the U.S. government was involved, with the State Department “actively” pressuring the American interests to oust him, U.S. military intelligence shadowing him, and the government as a whole “blacklisting” TACA. After some bitter exchanges, he and the Americans had come to terms. They had demanded that he resign, sell out, and agree to not engage in commercial aviation ventures in the Western Hemisphere for five years. He had countered with an offer to resign, sell, and not engage in commercial aviation for two years in areas where TACA currently operated. The Americans had agreed to this, so Yerex was preparing to meet them in Havana later in the month to complete the deal.⁴⁵⁰

On December 13, 1945, Yerex made his “golden handshake” with his American counterparts. He resigned his position and promised to sell all his shares in the airline in the near future. Moreover, he agreed not to engage in operations in TACA’s current domain for two years. In return, TWA purchased 100,000 shares of his TACA stock for \$1 million. In the coming months, Yerex would garner \$4.5 to \$5 million from the sale of stock in TACA, Aerovias and BWIA. He retained over 200,000 shares of TACA stock, but his intentions, as he later explained to Leche, were not to use this holding to reestablish his control but to wait for the price of the stock to rise further so that he might garner more cash. Yerex seems to have completely washed his hands of TACA. In fact, some suggested that he was through with commercial aviation altogether. One U.S. report from Central America related that Yerex had supposedly commented that he wanted to return to New Zealand and raise sheep!⁴⁵¹

⁴⁵⁰ “Note on Talks with Mr. Yerex,” 7 December 1945, W16519/51/802, F.O. 371/50274.

⁴⁵¹ Yerex, 173; Yerex to Leche, 27 November 1946, W11956/5/802, F.O. 371/54490; Hallett Johnson to Secretary of State, 8 January 1946, 813.796 TACA/1-846.

Yerex was far from done, however. He frankly admitted to Leche that apart from the “sentimental side of the affair,” he found the “termination...very satisfactory to me,” since it would permit him “to do anything I like.” Yet this did not mean that Yerex was ready to leave commercial aviation. In fact, he was already thinking about starting a new airline in Argentina, where he had already done some exploratory work for TACA and where he believed the possibilities for success seemed very promising. He also may have thought that Argentina would be a safe haven from American interference, due to its geographical and political distance from the United States. From here, he planned to branch out to Chile, Brazil, and throughout South America. He was so enthralled with the potential of such a project that he declared that it might, in the end, be “of far greater importance than what I have given up.” He realized that such plans would place him in competition with Pan Am once again, but seemed optimistic that he could do battle with the American giant. He pointed out that if he could establish “national” companies in the various nations he was considering, these would certainly receive preference from the Latin American governments over the U.S. airline. As for his former partners, Yerex made it clear that he felt little love for them. While he would obey the “letter” of his agreement, he did not feel “honour-bound” to the spirit. He would not compete directly with TACA over its routes for the specified period, but he would not avoid countries where his former airline operated. Yet even as he was relating these plans to the British, he was reaching out to them as well. He emphasized that his new companies would serve as “feeders” for the larger British trunk lines, and that he would like to work with BSAA in establishing a British presence in the region.⁴⁵² Perhaps now, he hoped, his British fathers would accept their prodigal son, returned from the United States.

As in the past, Yerex cultivated and received ardent support from British officials in Latin America. The minister in Bolivia quickly lent his endorsement to Yerex’s plans, noting that Pan Am was not offering a satisfactory service and that many Bolivians were

⁴⁵² Yerex to Leche, 21 December 1945, F.O. 371/54470.

asking when the British would establish one of their own. Yet the foremost supporter was Yerex's old friend Leche. Now stationed in Chile, he reiterated his argument of the previous six years: Yerex was simply too valuable to British interests to be discarded. Yet he now sounded a more ominous theme. If the British "cut him out," they might find themselves in a losing battle with the indomitable Kiwi. Leche warned that the Latin Americans would not want a British company *sans* Yerex operating their domestic lines. Moreover, Yerex would start his own enterprise and, "against his will," compete with BSAA. In light of Yerex's experience and BSAA's lack thereof, the former would certainly "knock out" the latter. Leche urged his superiors not to adopt a policy "which is at the best due to ignorance of the man and of local conditions."⁴⁵³

Once again Whitehall confronted the issue of what to do about Yerex. Some officials were quite willing to consider the possibilities. One pointed out that British plans for South America were in such an "embryo stage" that it would "be a great pity if Yerex, with finance, local experience, and 'know-how' did not receive our support." After all, he appeared to be the only "man on the spot" who could "stand up to the all-pervasive American influence." Another official frankly admitted that Leche had a valid point of view. The situation in Latin America called for "a special type of flexibility and experience." Moreover, Latin American authorities would rather place their confidence in a "personality" such as Yerex than in a company such as BSAA. Yerex clearly had the "initiative and capacity" to succeed in the region, and BSAA would be wise to take advantage of it. This notion was not lost on BSAA. John Booth once again pursued talks with Yerex about his plans for the region and how they might "fit into" British plans.⁴⁵⁴

However, the key "player" in the matter was the Air Ministry, and opposition therein to Yerex was such that it would effectively "kill" any effort at cooperation. This was evident as soon as Yerex's latest overtures made it to London. The new Minister for

⁴⁵³ Rees (H.M. Minister, La Paz) to Bevin, 21 January 1946, W899/5/802, F.O. 371/54471; Leche to Gallop, 11 April 1946, W4825/5/802, F.O. 371/54476.

Civil Aviation, Lord Winster, who was unfamiliar with the Yerex saga, noted that the New Zealander was, on the basis of his record, “quite a considerable man,” and inquired of his subordinates how the British should approach him. Hildred quickly informed the minister, “apart from Chicago, Mr. Yerex has wasted more man hours of this Department than any living man.” He told the minister rather bluntly, “what Mr. Yerex is prepared to do can be stated in three words viz look after himself.”⁴⁵⁵

This bitterness mingled with some concrete concerns. These were set forth in a minute by Charles Dodd in February. Dodd noted that many of Yerex’s proposed projects would place him in a position to compete with BSAA, rather than cooperate. He acidly commented, “I doubt whether Mr. Yerex really knows what is meant by ‘cooperation’.” In sum, he would likely try to drive BSAA out of business. Moreover, there were his ties to American resources. While he would likely use British equipment at some point, other interests in Latin America would use it immediately, rather than rely on American airplanes. Yet even if the New Zealander were a satisfactory candidate for the British, he faced another problem: the Latin American political landscape. If Yerex identified too closely with the British, he might find himself “suspect” in the eyes of many Latin Americans. As for Argentina, Dodd had doubts that the strongly nationalist government there would permit a British subject to control their airlines. Still, he did not see any harm in permitting BSAA to approach Yerex and explore the possibilities.⁴⁵⁶

The Air Ministry did indeed contact John Booth of BSAA and suggest to him that he seek out Yerex. However, it made its views clear to both him and the Foreign Office. In fact, in the case of the latter, it provided some additional objections to working with the New Zealander. The ministry argued that while Yerex had enjoyed success, he had done so “in conditions very different from those required to secure a certificate of air

⁴⁵⁴ minute by J. Wright (H.M. Foreign Office), 19 March 1946, F.O. 371/ 54473; minute by H.W.A. Breen-Pennefether (H.M. Foreign Office), 2 May 1946, W4825/5/802, F.O. 371/54476.

⁴⁵⁵ minute by Lord Winster, 31 December 1945, AVIA 2, 2333, AM; minute by Hildred, 2 January 1946, AVIA 2, 2333, AM.

⁴⁵⁶ minute by Dodd, 4 February 1946, AVIA 2, 2333, AM.

worthiness.” It was “doubtful” whether he could be as successful with a “regular air line under proper operating conditions.” Moreover, it reminded the Foreign Office that Yerex had “behaved extremely badly” in late 1943 and early 1944 over the matter of BWIA. He had engaged in “double-dealing” and had then spread false reports about the affair that did not reflect well on the British government. In light of his independent tendencies, it was doubtful that any working relationship between him and either BSAA or the British government would be “harmonious.”⁴⁵⁷ Both in substance and in tone, the records indicate that the Air Ministry harbored bitter feelings about Yerex and would not make a good faith effort to readmit him to the British fold.

In fact, the Air Ministry, coupled with the Colonial Office, was engaged in an effort to eliminate Yerex from BWIA altogether. In mid January 1946, Clifford reported from Trinidad that Yerex wanted to sell all of his shares in the airline for \$60,000. However, there was an added “bonus”: he would resign his position on the board if the British bought him out. Apparently, Yerex was ready to divest himself of all his old companies and make a truly “clean” start. Clifford urged quick action. He commented that he expected HMG to approve the idea, since it would eliminate “foreign influence” in the airline. Yerex drove a hard bargain. He demanded \$75 per share, and that the British pay in American dollars rather than in local currency. He also insisted on a proviso that if the British government bought out anyone else at a higher rate, they would pay him additional moneys to match that rate. In March 1946 the British government agreed to Yerex’s terms, and the two sides soon completed the deal.⁴⁵⁸

As winter gave way to spring in Britain, H.M.G. relations with Yerex thawed only slightly. The Air Ministry adopted the position that it could not adopt Yerex “as the recognised British agency for developing British air line interests in Latin America”

⁴⁵⁷ Gallop to Cribbett, 2 May 1946, AVIA 2, 2333, AM; minute by Dunnett, 2 April 1946, W3995/94/802, F.O. 371/54546.

⁴⁵⁸ Clifford to Secretary of State for the Colonies, 11 January 1946, AVIA 2, 2333, AM; Secretary of State for the Colonies to Clifford, 10 January 1946, AVIA 2, 2333, AM; Clifford to Secretary of State for the

because of his poor record and the fact that he might perhaps poach on BSAA territory. However, this did not mean that the government should reject all of Yerex's plans "out of hand." After all, he might develop some services that could be useful to British interests. The ministry decided to explore these possibilities in consultation with BSAA. The Foreign Office accepted this policy, and echoed the ministry's objections to Yerex. Cheetham, responding to one of Leche's dispatches, made the following observations. One, while Leche expounded on Yerex's ability and patriotism, the minister never stated how Yerex might be of specific use to the empire. Second, "the truth is Yerex is not a person who can be utilised. He is an individualist who likes to play his own hand."⁴⁵⁹ This was his great flaw. His individualism, while perhaps popular on the other side of the Atlantic, did not endear him in the halls of power and clubs of standing in London.

The possibilities for cooperation soon died. This was not due entirely to officials in Whitehall. Booth caught up with Yerex in May in Buenos Aires, where the latter was taking a vacation. Yerex frankly admitted that he had concluded that there were no viable opportunities for him in any of the Southern Cone countries. In fact, his only hope was Brazil, where his agreement with TWA constrained his opportunities. He also made it clear to Booth he had no interest in a "tie-up" with BSAA. His recent experiences had made any form of government control over his operations "abhorrent" to him. He was willing to provide links with British services, but he would not cooperate directly with any enterprise not under his control.⁴⁶⁰ Not much was left to say. Any possibility for reconciliation between Yerex and the British seemed dead.

This prompted little grief in London. In fact, the British attitude about Yerex seemed rather smug. One Air Ministry official who met with Yerex in Buenos Aires made some rather snide comments about the New Zealander and his "vacation." He noted that Yerex had brought with him a large "entourage." He closed his report with the

Colonies, 20 February 1946, AVIA 2, 2333, AM; Secretary of State for the Colonies to Clifford, 14 March 1946, AVIA 2, 2333, AM.

⁴⁵⁹ minute by Cheetham, 13 May 1946, W5258/5/802, F.O. 371/54477.

observation, “having made his fortune, Yerex can now sit back and take his ease.”⁴⁶¹ In essence, one is left with the impression that Yerex had accomplished what he had wanted all along: make a lot of money. This justified the British perception of Yerex as a money-grubbing upstart with no social refinement, and their rejection of him.

Yerex languished through the summer. However, one last scene remained to the long, sad saga. TACA’s American owners had expected that eliminating Yerex would improve their standing with the U.S. government. The results had not matched their expectations. The CAB continued to move slowly on TACA’s applications for U.S. landing rights. The board finally decided to grant them in July 1946, but delayed making this decision public. Meanwhile, TACA’s financial losses mounted. Pan Am hammered away at TACA with better funded, better equipped local subsidiaries. TWA and its cohorts, meanwhile, strayed from Yerex’s economies. Overstaffed offices and increased operational expenditures all belied the carefully crafted approach to airline operations that Yerex had employed with such success. At times, the costly efforts were nothing short of ludicrous. In one case, the Americans were having problems operating DC-3s from airfields in Central America that were too short for take-offs with full loads. They came up with a novel solution: they would equip the airplanes with Jet-Assisted Take Off (JATO) packs to increase their take-off power and thereby shorten their take-off distance. As one U.S. government official noted, the idea might prove successful if the airline could address the not insignificant problems of the storage and cost of JATO packs. TACA’s American officials pursued the idea with a costly test program, which never produced a practical solution.⁴⁶²

By the fall of 1946, TACA was in desperate financial straits. The Export-Import Bank refused to make further loans and the airline was, according to one U.S. report, “in immediate danger of failing.” It turned to the U.S. government for financial assistance. By

⁴⁶⁰ minute by Cheetham, 13 May 1946, W5258/5/802, F.O. 371/54477.

⁴⁶¹ Dunnett to Cribbett, 8 May 1946, W5332/5/802, F.O. 371/54477.

consensus, TACA required anywhere from \$4 to \$7 million in aid. The U.S. military urged that the government make the money available. It considered a strong air transport system to be “vital” to national defense, and viewed TACA as part of that system. Moreover, the airline provided important services in Central and South America that insured the stability of that strategically important region. However, William Burden of the Commerce Department, who had become a leading voice in American aviation policy, argued against the aid. He asserted that it would be “unwise” to help to the extent needed, since this would place the U.S. government behind one airline in competition with American airlines. He saw little danger from the loss of TACA, either to foreign investors or to liquidation. In the end, Burden won: no money was forthcoming.⁴⁶³

Yerex, having held onto over 200,000 shares, suddenly found his investment in grave danger. He rushed to New York in November 1946 to see what he could salvage. In two letters to Leche, he explained the situation. TACA had sold over \$7 million in stock early in the year, had used the funds to pay off the Export-Import Bank and other loans, and had \$4 million left over. However, “because of very bad management, very bad planning, hiring very stupid people, etc., etc.,” the airline was losing \$500,000 per month and now had only enough funds to operate for two more weeks. Unfortunately, Yerex said, “I had been very greedy” and had not sold his stock in January for \$20 per share. Instead of the rise in price that he had expected, TACA stock had plummeted to \$3.50 per share, and there were no takers even at this dismal quote. TWA was “at its wits end,” and the U.S. government was not going to help.⁴⁶⁴

Yet in the midst of this personal misfortune, Yerex saw a silver lining. He believed that if the situation got bad enough, the Americans might sell out to the British. He claimed to have put together a group of British interests which were “more or less

⁴⁶² Davies, *Airlines of Latin America*, 137; Yerex, 185; J.P. Rourke (U.S. Ambassador, Nicaragua) to Byrnes, 13 December 1946, 813.796 TACA/12-1346.

⁴⁶³ E.S. Prestine (Aviation Division, Department of State), Memo, 14 October 1946, 813.796 TACA/10-1446; Major General C.C. Chauncey (Deputy Chief of Air Staff, U.S. Army), Memo, 15 October 1946, 813.796 TACA/10-1546.

prepared to do business.” He did not name the interests, but stated that they were of Canadian origin and were “in touch with people on the other side [Britain].” Yerex hoped that they, along with himself, might be able to reclaim TACA.⁴⁶⁵

The British, true to their policy, did not reject the idea of a British takeover out of hand. In fact, the Ministry of Civil Aviation was “sympathetic” to the proposition, as it would provide BSAA with a feeder network in the region. However, in light of TACA’s desperate situation, it might not be a bargain at any price. Once again H.M.G. dispatched Booth to explore the possibilities. In mid November he flew to New York to meet with Yerex and examine the situation. He returned to London in late November and informed the government that BSAA was decidedly not interested. In a meeting with Air Ministry officials, Booth provided a litany of reasons why TACA was not a worthwhile commercial venture. One, its shares were worth maybe \$1 per, but there was “no chance” that TWA would sell at that price. In fact, the price of shares would “stiffen” because TWA had managed to secure a loan to keep the company going. The organization badly needed an overhaul. All of its equipment would require replacements within 5 years, at a cost of at least \$1-2 million. It would also be necessary to “rigorously revise” the operational organization of the airline in order to “bring it into line with BSAA standards.” This would require manpower that BSAA could not spare. Then there were the political considerations. The U.S. government was certain to look unfavorably upon a British takeover, and would likely withdraw TACA’s U.S. landing rights. In Latin America, there was a push to nationalize transport companies, so BSAA might find itself “pushed out” of TACA. Booth’s arguments were very persuasive. The ministry decided that TACA was clearly not a worthwhile investment.⁴⁶⁶

⁴⁶⁴ Yerex to Leche, 27 November 1946, W11956/5/802, F.O. 371/54490.

⁴⁶⁵ Yerex to Leche, no date, W10794/1126/802, F.O. 371/54607.

⁴⁶⁶ Foreign Office to Washington Embassy, 8 November 1946, W10794/1126/802, F.O. 371/54607; “Note of Meeting in Minister’s room at 3 P.M. on Wednesday, 20th November,” 20 November 1946, W11615/1126/802, F.O. 371/54607.

The British decision not to pursue the matter hardly surprised Yerex. He complained to Leche that he and the British were “going around and around as we have done so many times before.” Booth had expressed a great interest, and “everyone” admitted that TACA “fit into” BSAA’s plans. However, the British clearly had difficulties with the proposition. The one that irritated Yerex the most was the concern over the U.S. response to a British buyout. Yerex’s exasperation showed through: “I have suggested making England a 49th state if ‘Washington’ must be consulted.” He concluded that the situation was hopeless, and that he stood to lose everything he had in TACA. However, he did mention that he had the fortune that he had already made, and that his new export-import business in Buenos Aires was prospering. If things did not work out with TACA, he would head to Buenos Aires and “I will not look back.”⁴⁶⁷

These words would be prophetic. There was no solution for the sad state of TACA, and Yerex left it behind. He must have sold the stock in TACA, though there is no record of this. He likely received very little from the sale. He moved to Buenos Aires, where he spent the rest of his days. His new venture was a construction firm, Equimac, which engaged in a variety of building projects. This enterprise would be a new vehicle for his energy and innovation. Yet it also would prove to be a source of frustration, as the Argentine government caused innumerable difficulties. Yerex saw much of his fortune disappear into the company. He would live a comfortable life amongst fellow Englishmen in the cosmopolitan city, but failed to achieve the success he sought. He passed away in 1968.⁴⁶⁸

David Yerex comments that his uncle’s “empire has sunk out of sight.” Actually, the empire has revived in recent decades. TACA suffered through some thin years after Yerex’s departure. Many TACA subsidiaries went out of business in the late 1940s, leaving the airline as a shell of its former glory. TWA sold out in 1949, leading to a revolving door of investors in the coming years. However, the TACA name survived in

⁴⁶⁷ Yerex to Leche, 27 November 1946, W11956/5/802; F.O. 371/54490.

the form of its El Salvadoran corporation (the international branch), and made a slow recovery. Today, one can fly TACA from the United States to Latin America.

The story of BWIA proved more complex. The losses proved so appalling that the British government repeatedly reorganized the little airline. As the Caribbean islands moved toward independence in the late 1950s and early 1960s, BWIA's role changed. The onetime instrument of British imperial authority became a symbol of Caribbean national independence. Today one can fly from the United States to the Caribbean via BWIA. Doubtless few are aware of the origins of either of these airlines, but while Yerex's role may have passed into history, his empire is alive and well.

As for the British and the Americans, the two rivals eventually reached a truce. In April 1945, the British joined with other aviation powers to form the International Air Transport Association. This voluntary organization was to set minimum rates and standards of service. One notable absentee was Pan Am, which soon offered passage to Europe at half the IATA rate. The British soon realized that they needed to reach an agreement with the Americans in order to prevent such unbridled competition. For their part, the Americans realized that they needed to deal with the British, who were blocking many of their world routes. Thus the two sides met in February 1946 in Bermuda. They signed an agreement that allowed American airlines the access they desired, while providing for international controls on rates and frequency of flights, thus giving the other nations a fighting chance.⁴⁶⁹ The air war between the two allies was over.

Of course, this truce came far too late for Yerex. He had lost his enterprises to others who proceeded to ruin what he had built. He had tried to build something by drawing on both parts of his background: the British nationality and the American training. He saw an opportunity to take the best of both worlds and use them to build a truly great enterprise. However, it was not to be. His tale is a tragedy in the truest sense. In part his failure was due to the fates, to circumstances beyond his control. He

⁴⁶⁸ Yerex, 187-203.

confronted two governments who did not trust each other and, as a result, him. Yet he had his failings. Yerex, in building his Anglo-American empire, failed to see the situation as it was. His insistence on control, on being his own man, simply did not fit the conditions of the time. The situation called for a team player-this was not Lowell Yerex's forte. Instead of being a bridge between two people, between two allies, he found himself alone in a no-man's land, shunned by two rivals who trusted neither him nor each other. He was truly a man without a country.

⁴⁶⁹ Dobson, "The Other Air Battle," 439.

CHAPTER NINE:

CONCLUSION

This is not a “feel-good” story. Lowell Yerex enjoyed great success in airline operations but fell victim to the vagaries of circumstance and international rivalry. A tale that began with such potential and hope ended in frustration and disillusionment. In this account, the reader will notice the cadence of the war years for Yerex: hope gave way to frustration that gave way to hope and ad infinitum. This pattern makes the story difficult to enjoy. Toward the end of the saga, the reader, much like Yerex, must cynically wonder: again?

Yerex was, in part, a victim, being the wrong man in the wrong place at the wrong time. Yet his problems also stemmed from his own faults. One was his ambition. On more than one occasion, his determination to expand cost him support either in Washington or London. Another was his desire for control. His inability to subject himself or his operations to others, even for a short period, harmed his standing in both camps. His reaction to the changes at BWIA in late 1943 created a very bad and lasting impression upon the British. While his reaction is somewhat understandable, with a little diplomacy he might have retained their confidence and reestablished his control at a later date. One might point to TACA’s Americanization and argue that he did in fact give up control at this time. To a certain extent, he did. However, the financial arrangements suggest otherwise. While Yerex sold the majority interest in the company, he retained the largest holding, as well as two key posts that seemingly assured him of operational control. One must remember, when he later turned to the British, he insisted on keeping these posts. Moreover, he may have hoped to use the British to establish himself as the deciding force in the company. Perhaps he had hoped to do the same thing in 1943 by

selling out to different American interests rather than just one. He might have sacrificed majority ownership in the company, but he tried to keep control.

Perhaps his greatest shortcoming was his vision for an Anglo-American enterprise. Yerex clearly wanted to be a hybrid. He believed he could build an airline network in the western hemisphere that had connections to both powers. He viewed himself as the natural head of such a venture, drawing upon the resources of both as needed. Yet Yerex's vision was woefully idealistic in the world of the 1940s. On the one hand, he expected that the two rivals would be willing to cooperate for the sake of his vision, even as their rivalry intensified. On the other, when he did seek to join one side and forsake the other, he often made a bad choice. He appealed to the British at a time when they were in no position to contend with the Americans. He, and quite a few British ministers in the western hemisphere, did not realize just how much the war was costing the British in terms of money, resources, and autonomy. He failed to grasp that the sun would soon set on the Union Jack. In all fairness to him, so did many of his contemporaries. When he turned to the Americans, he expected that they would accept him as the son of a close ally, not realizing that his profession made this impossible. In sum, Yerex failed to see the world as it was.

Yerex was, in many ways, an anachronism. He failed to appreciate the power shift that had taken place between the British and the Americans. The British had performed a strategic withdrawal from the western hemisphere at the turn of the century, and had been forced into an economic retreat in the wake of World War One. While their presence in the region was hardly insignificant, they could not go "toe-to-toe" with the Americans there. Thus, Yerex's expectations of the British were at times woefully unrealistic. He hearkened to bygone days of imperial glory that were no longer and unlikely to return. Moreover, his desire for control over his enterprises was out of step with the changing economic system. While in earlier times individuals such as Andrew Carnegie and Henry Ford had built large business empires, by the era of World War Two the entrepreneur had

given way to the corporation. Even in commercial aviation, where giants such as Trippe and Hughes held sway, the individual was succumbing to the corporation. For Yerex to expect that he could defy this trend by building a commercial empire under his direct control was unrealistic. He was a man of another time, when Rudyard Kipling adventurers sallied forth alone to the far corners of the globe for the glory of empire.

For aviation historians, this account provides a closer look at a legendary figure in the field. Until now, his dealings with both the British and the Americans remained shrouded in mystery. While this work may not have answered all of the questions (indeed, it has introduced some new ones), it has provided a more complete picture of Yerex's work. It has also painted a more complete portrait of him. His faults are certainly more manifest, but so are his strengths and successes. Yerex came close to achieving his vision, despite its improbability. More than once, officials on both sides of the Atlantic were almost ready to accept him on his own terms. Considering the circumstances, this is testimony to his ability, persistence, and persuasiveness.

While this account has provided a more complete picture of Yerex, it also has tied him to larger issues, most notably those of a diplomatic nature. This account compels one to consider such issues as the Anglo-American relationship, the Cold War, and the Good Neighbor. This account supports the idea that the Anglo-American relationship may not have been as natural or as "special" as many have believed. In fact, it would seem that rivalry was more natural, and that only the direst of circumstances could push the two sides together. It is a testament to the Nazi threat and the leadership of both FDR and Churchill that the two sides cooperated as closely as they did. Even so, the rivalry remained. This compels the historian to ask: what was the nature of this relationship? As others have argued, while the Americans and British were able to cooperate closely during this period, there were significant differences between the two powers. One might suggest that on a "grand" level of international relations, involving such things as political and economic ideology, international strategy, and common culture, that the two

sides were in very close agreement, while most of the disagreements were of a secondary nature and involved such things as specific economic policies. To a certain extent, this is true. However, one must be careful not to minimize the disagreements, for as Dimpleby and Reynolds point out, they were often “fundamental.”⁴⁷⁰

Another question that arises is: what does this relationship mean to the rest of the world? How does the relationship relate to other historical issues? Perhaps the foremost of these is the Cold War. If the Anglo-American relationship was not so special, how does this affect the historical view of the early Cold War years? It is interesting to note that the Americans placed many stringent, even unfair, conditions upon Lend-Lease aid to the British. In fact, during the stalemate at Chicago, FDR threatened to end this aid in an effort to coerce the British into complying with American demands. The United States did not place any Lend-Lease conditions upon the Soviets, and never overtly tried to use this aid to force their cooperation on a given issue. In essence, the Americans on occasion treated the Soviets better than they treated the British. This reinforces the arguments of many scholars concerning the nature of the inter-Allied relationships during the war. It also calls into question the “East vs. West” division that so many historians have applied to the wartime alliance. While the “West” had certain commonalities and interests, it also harbored an intense rivalry. Historians who ignore this fail to realize that the early U.S.-Soviet conflict was not part of an exclusively “East vs. West,” but was part of a splintering alliance. Thus, one has to reconsider the origins of the Cold War, with regard to both the Soviets and the United States. Regarding the former, did Stalin fail to recognize the depth of the Anglo-American rivalry? Recent scholarship suggests not. In fact, he may have overestimated the rivalry, and as a result adopted more assertive policies that led to the “East-West” conflict.⁴⁷¹ In turn, as many have argued, the United States was engaged in a campaign to spread its commercial influence around the globe, which the Soviets might perceive as a threat. However, they miss an important point

⁴⁷⁰ Dimpleby and Reynolds, 234.

about this campaign. Many diplomatic historians have portrayed it as a direct threat to the Soviets while ignoring or minimizing its implications for the British. In reality, the threat was far greater for the latter, whose commercial interests were far more attractive to American interests.⁴⁷² It is important that historians do not overemphasize the bipolar nature of the Cold War at this early juncture.

One last issue of significance is the Good Neighbor. This account indicates that while this policy had changed how the United States dealt with its neighbors to the south, it did not change certain perceptions about them. These are evident in a variety of materials, from media reports to U.S. diplomatic dispatches. Whether in Pyle's description of the passenger list on TACA's flights or Des Portes reference to Ubico's "tantrum," there remained underlying perceptions about Latin America in U.S. circles. Perhaps the most significant was the notion that Latin America should follow the hemisphere's natural leader, the United States. As the war progressed and the Anglo-American aviation rivalry intensified, these underlying perceptions would come to the fore. From Burke's 1942 comment that the Central Americans would have to "live" with the transportation shortage to Berle's disregard for their aviation rights in his 1944 meeting with Yerex, it became increasingly apparent that the Americans were becoming less "neighborly" to Latin America. This was not a time for friendship; it was a time to fall into line.

This account has also addressed issues of interest to social historians. This includes the popular perceptions of aviation, the definition of a "gentleman," and British and American perceptions about each other. It has integrated these issues into the story of Yerex, and indeed into the larger issues, most notably the Anglo-American relationship. Perhaps the most significant issue is that of defining Yerex. It is evident that each side defined him by political and cultural means, and that this would have a preponderant

⁴⁷¹ Zubok, "Stalin's Plans," 295-305.

⁴⁷² Woods, *Changing of the Guard*; Gabriel Kolko, *The Politics of War: the World and United States Foreign Policy, 1943-45* (New York: Random House, 1968), 6-7.

influence in deciding the course of events in this story. Yet Yerex's self-definition is not without significance. In defining himself as a hybrid, Yerex often compelled the two sides to consider their views about him and the larger issues involved. His determination to hold onto his British citizenship and yet ask for U.S. landing rights forced both powers to address certain uncomfortable issues. In Washington, Berle had to admit that the United States could hardly deny him access to its territory while demanding similar rights in the British Empire. In London, the American response to the BWIA contract drove home the bitter realization that the "special relationship" might prove costly to the British. Thus, while perhaps Yerex's effort at self-definition "failed," it certainly did not leave the rivals unaffected.

In conclusion, this study presented a more complete account of the subject. Yet it also integrated the different political, strategic, economic, and social considerations with each other. It is a "diplomatic" history, but it is much more. It brought together elements of diplomatic, aviation, and even social history and examined how these considerations all interacted to shape this story. It is far from perfect and reflects the limitations of its author, but he hopes that it might represent part of a greater effort in the historical profession to integrate different approaches and emphases in the study of history.

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