Ecuador and World War I: One Nation’s Experience on the Periphery of the Great War and During its Aftermath, 1914-1924

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In the horrific conflict of 1914-1918 known as World War I, Latin American nations were peripheral players but they were not immune from its effects. This essay reviews the conflict’s impact on Ecuador—a Latin American nation that after declaring neutrality in 1914, broke relations with Germany on December 7, 1917 but refrained from any involvement in the actual fighting. Following a brief review of the existing historiography of this period, the study examines Ecuador’s geographic, political, economic and social situation in 1914; its involvement in the war as a neutral between 1914 and April 6, 1917; and the developments that occurred after its decision to break relations with Germany in December 1917 until the armistice on November 11, 1918. Finally it suggests how the consequences of Ecuador’s stance in the months after the restoration of peace contributed to the end of the Liberal Era in 1924.

Keywords: World War I, Ecuador, cacao, diplomatic relations

Introduction

Before it became known as the First World War, the conflict of 1914-1918 was aptly known to millions of Europeans as the “Great War”. Nine million soldiers died and millions more suffered mental and physical injuries. The war cost billions of dollars, not only in military expenses but also in property damage. Four major empires collapsed, and the peace settlements that followed changed boundaries around the world. Immeasurable was the cost in broken lives, shattered societies, and the residue of hate and bitterness. As historian William Kelleher Storey states succinctly, “The First World War was a social and political cataclysm” (Storey, 2014, p. 1; Hochschild, 2011).

In contrast to Europe, the military aspects of the war barely touched Latin America. For the first two and one half years all 20 nations remained neutral. Once the US entered the conflict, Brazil and Cuba took an active part in the fighting; six more countries (Costa Rica, Guatemala, Haiti, Honduras, Nicaragua, and Panama) declared war; Peru, Bolivia, Uruguay, Ecuador, and the Dominican Republic severed relations with Germany while Argentina, Chile, Mexico, Salvador, Venezuela, Paraguay and Colombia maintained a strict neutrality.

This lack of direct involvement may explain why World War I is rarely discussed in Latin American historiography. In 1925 Percy Alvin Martin published Latin America and the War, an expanded version of a series of lectures he delivered at Johns Hopkins University four years earlier. It is remarkable that after 90 years, Martin’s study reprinted in 1967 remains the definitive work on the subject. Given the tremendous economic
and financial crises caused by the war in Latin America and the realignments of global interests in its aftermath, it is a reasonable assumption that this period deserves greater attention, especially as the world observes the 100th anniversary of Germany’s declaration of war on Russia and France on August 1, 1914.

The purpose of this study is to redress this lacunae by taking a fresh look at the conflict’s impact between 1914 and 1924 on Ecuador—a nation that after declaring neutrality in 1914, broke relations with Germany on December 7, 1917 but refrained from any involvement in the actual fighting. Following a brief review of the existing historiography of this period, I will consider Ecuador’s geographic, political, economic and social situation in 1914; its involvement in the war as a neutral between 1914 and April 6, 1917; the developments that occurred after its decision to break relations with Germany in December 1917 until the armistice on November 11, 1918, and finally, show how the consequences of Ecuador’s stance in the months following the restoration of peace contributed to the end of the Liberal Era in 1924.

Historiography

The vast bibliography concerning World War I contains few books or articles dealing with Latin America. As Olivier Compañon has suggested this lack of attention may have arisen from the fact that scholars who have examined the 20th century history of the region emphasize the economic crisis of October 1929 and the Cuban Revolution of 1959 as the principal defining turning points rather than the two world wars (Compañon, 2009, p. 291). Given this mindset, it is perhaps not surprising that the aforementioned book by Percy Alvin Martin composed soon after the end of the conflict is unique in that it includes chapters on the diplomacy and foreign policies of all 20 Latin American republics during the Great War. To be sure, in the 1980s there were investigations of the war’s impact on the economies and political culture of Argentina, Brazil, and Chile, and Friedrich Katz produced a ground-breaking study of German involvement in Mexico, but until recently the effect of the war on the Bolivarian countries of northern South America has remained a much neglected topic (Alber, 1988; Fritsch, 1988; Gravil, 1985; Tato, 2008; Katz, 1981).

With regard to Ecuador, the best single study is still Rafael H. Elizalde’s “La América Latina en la guerra mundial: Ecuador” which appeared in the May, 1920 issue of La Revista del Mundo, a now defunct journal published in New York City by Doubleday, Page and Company. The principal diplomatic histories published since then avoid discussing World War I to focus instead on Ecuador’s treaties with other nations and defense of its borders (Moscoso & Jorge, 1967; Mera, 1916; Lecaro Bustamante, 1985). More general histories either ignore the war era or regard it as one of several developments during the period known as the “Liberal Oligarchy” that extended from 1895-1924 or the shorter period referred to as the “Plutocratic Era” between 1912 and 1924 (Pareja Diezcanseco, 1979; Deas, 1986; Cevallos García, 1987; Reyes, 1967). Yet there is no question that the Great War that transformed the world forever had an important impact on the Western Hemisphere. The decline of European supremacy made way for the rise of the United States as a super power, and Latin American elites who had long wished to emulate Europe were profoundly disillusioned by the spectacle Compañon has described as the “Death Throes of Civilization”. Ecuador could not avoid being affected. As Minister of Foreign Relations Rafael Elizalde wrote in 1915, “The events developing every hour in the world are too large to be ignored, and it is well known that they have repercussions even in the most distant

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1 It is significant that the most recent anthology Zepeda (2010) contains essays spanning the 19th and 20th centuries but completely skips over the World War I era.
areas… Ecuador has already suffered the consequences of that early universal conflagration” (Elizalde, 1915).

**Ecuador in 1914**

In 1914 Ecuador, with an area of 245,882 square miles and a population of less than two million was, with the exception of Uruguay, the smallest of the South American nations. The two Andean cordilleras (mountain ranges) that traverse the country from north to south divide the country into three distinct geographic zones: the Sierra, the Costa, and the Amazonian Oriente. Nearly one half of the population lived in the Sierra, a temperate region of high plateaus and valleys suitable for cultivation of grain, vegetables, cotton, sugar, tropical fruit, and cattle. The capital, Quito, with a population of 50,000 and other important cities of Ambato, Riobamba, and Cuenca were located in or near these temperate mountain basins.

The coastal area was a different world—flat, low, hot, and very humid with vast areas covered with tropical forests. Bounded by the Pacific Ocean on the west and the Andes on the east, it was a productive region with a variety of fruits and vegetables oriented toward an export market. The Guayas lowlands which extend north and southwest of Guayaquil, the republic’s principal port and with a population of 75,000 its largest city, offered ideal conditions for tropical agriculture, a situation aided by rivers that provided access to the sea. By the early 20th century, cacao, bananas, and coffee produced on plantations were Ecuador’s primary exports. The Oriente, extending from the foothills of the eastern cordillera to the Amazon Basin, comprised approximately 46% of the country’s territory but being sparsely populated and isolated by the mountains, it played little role in early 20th century developments except as an issue in border disputes (Pineo, 2007, pp. 6-11).

In addition to these mainland regions, Ecuador’s territory included the Galápagos Archipelago consisting of more than 60 small volcanic islands lying 500 to 700 miles due west of the mainland. Today these islands with their wide variety of exotic fauna and flora are an attraction for tourists and scientists, but in the 19th century a scarcity of water and isolation from the rest of the country limited their population to a few hundred settlers. At the end of the 20th century, President Eloy Alfaro considered the islands a strategic liability since Ecuador lacked a navy to defend them. On several occasions he offered them to the United States in exchange for a guarantee of protection and money, but the US was not interested (Pineo, 2007, p. 85). With the onset of the Great War, however, the Galápagos would gain greater importance due to their proximity to the recently completed Panama Canal and their potential as a base for hostile naval operations.

Politically Ecuador in 1914 was half way through an era of Liberal rule that began with the election of Eloy Alfaro in 1895 and ended with the overthrow of President Gonzalo Córdova by military coup on July 9, 1925. Alfaro, who served as president from 1895-1901 and again from 1906 to 1911, remains a controversial figure. During his first administration he convened a constituent assembly that produced a new constitution that would allow Liberals to retain power for the next three decades. In his second term he began an effort at agrarian reform by overseeing the passage of a law nationalizing land held in mortmain by religious orders, and he presided over the inauguration of the railroad connecting Quito and Guayaquil, a project authorized in 1865 but not completed until 1908. Although hailed by all as a marvel of engineering, the railroad failed to turn a profit and left the government responsible for paying off an enormous sum to foreign bondholders who had provided funds for its construction. Alfaro’s harsh repression of political opponents and lack of respect for civil liberties also tended to tarnish the accomplishments he achieved. After failing to prevent the inauguration of his
successor Emilio Estrada on August 31, 1911, he participated in an unsuccessful insurrection against the new regime. Captured with other rebels, Alfaro was taken by the army to Quito to stand trial, but on January 28, 1912 an angry mob burst into the prison where he was being held. They brutally murdered the former president and five other rebel leaders bringing an ignominious end to the career of one of Ecuador’s most colorful political leaders (Rodríguez, 1985, pp. 46-49; Spindler, 1987, p. 210).

The new president, Leonidas Plaza Gutiérrez was a former colleague of Alfaro who had served an earlier term from 1901-1905. Unlike Alfaro, Plaza achieved unparalleled political influence thanks to his strong ties to both the coast and the sierra. Coastal entrepreneurs supported him because he worked to control political violence and promote the export economy. Sierra landowners respected him thanks to his marriage into a highland family and his ownership of large haciendas. Urban professional and middle classes endorsed him because his progressive administration provided them with opportunities for advancement. Even more important, by promoting officers loyal to him, he managed to obtain the firm backing of the military (Rodríguez, 1985, pp. 50-51).

Military allegiance was critical to Plaza for his principal domestic opponents were staunch Alfaro loyalists determined to revenge their leader’s assassination. In 1913 Col. Carlo Andrade led an uprising in the north which the army quickly suppressed, but a second revolt begun in the same year by Carlos Concha Torres proved more difficult to contain. Rallying the Afro-Ecuadorean population of Esmeraldas Province, Concha defeated entire government battalions near the sea and the mountains. For nearly three years he kept the army off balance with ambushes and surprise attacks. A general amnesty ended the revolt on September 1, 1916, but the ongoing bloody combat provided a major distraction throughout Plaza’s second administration, and was in full force when the Great War broke out in August 1914 (Reyes, 1967, p. 249).

The boom in the production and export of cacao begun in the late 19th century dominated Ecuador’s economy in 1914 accounting for 95% of its exports. The coastal region was ideal for the development of this crop grown on large estates whose owners contracted laborers to care for a given number of trees until they came into production. These workers received cash advances and the right to grow their own subsistence crops, while they themselves, their family, and others worked as peons on the plantations. Some landowners engaged in banking and foreign commerce, but Guayaquil also generated a bank and trade community that was not directly tied to the cacao plantations. Foreign capital was present, but not dominant, although Ecuador relied on the British Steam Navigation Company and US merchant ships to transport the cacao from Guayaquil to markets abroad and bring in imports of food and manufactured goods (Rodríguez, 1985, p. 22).

In 1913, Ecuador’s exports amounted to 32,488,000 sucre2. France was the primary destination receiving 34 %, followed by the US with 24%; Germany 17%; Great Britain 10%; Spain 4%; and others 11% (Pineo, 1996, pp. 23-26). A year later Ecuador produced one of the largest cacao crops of its history—971,678 quintales3 (the average annual crop was 676,097 quintales), but even before the outbreak of the war, there were troubling developments. Thanks to competition from cacao producing plantations in Brazil and British colonies in Africa and the impact of two devastating fungus diseases: *monilia* and *escoba de bruja* (witches broom) which made themselves felt as early as 1915, Ecuador’s percentage of the world market in cacao slowly slipped from a high of

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2 Ecuador’s standard monetary unit. In 1914 one sucre equalled SUS 48.6.
3 A quintal equals 100 lbs.
28% in 1894 to just 6.5% 20 years later (Crawford de Roberts, 1980, p. 155; Deas, 1986, pp. 669-670).4

In 1914 a small group of white elites (estimated in 1907 at 100,000 to 120,000 including many individuals of mixed ancestry) dominated Ecuador’s political and economic affairs. Ranking below them on the social scale were 300,000-450,000 mestizos, and 44,500 Afro-Ecuadorians and mulattoes who resided for the most part in Esmeraldas Province. The bulk of the population or over one million indigenous people consisted of descendants from two groups—the Quitus and the Caras. Approximately 6,000 non Ecuadorans also lived in the country. Included in this category were 5,000 citizens of neighboring Latin American republics, 700 Europeans and Americans, and 300 Chinese.5

Figures for the actual number of Germans and British living in Ecuador are not available, but they exercised outsized influence in comparison to their reduced presence. British ships belonging to the Pacific Steam and Navigation Company were the principal haulers of Ecuadoran cacao, and Englishmen were active in commerce and industry (Crawford de Roberts, 1980, p. 154). Germans, however, seemed to have outdone the British for they assimilated more easily into the culture, learning Spanish and marrying Ecuadoran women “who made them happy and gave them many sons which later served not the native land but that of the Kaiser” (Elizalde, 1920, p. 64). A Colombian observer, Enrique Pérez, wrote that “practically the whole of the import trade of Ecuador and a not insignificant part of the export trade were and long had been in the hands of Germans; and it must be admitted that they had done everything to deserve it” (Pérez, 1918, p. 18). Germans were directly involved in the exploitation of cacao, and German agents represented many of the British commercial firms in addition to their own. In order that no want should go unsupplied, these entrepreneurs imported British, American, and French goods when Germany did not have what was required. German engineers were involved in the railroad under construction from Sibambe to Cuenca. German technical advisors assisted the ministries of Public Instruction and the Public Works while German teachers were in charge of the normal schools for both sexes. Finally, the military had received a Prussian imprint through the employment of Chilean officers as instructors, and many members of the Catholic hierarchy were Germanophile in sympathy (Elizalde, 1920, p. 64; Martin, 1967, p. 440).

To summarize, in 1914 Ecuador’s total foreign commerce was approximately $US16,000,000. European capital was only beginning to enter the country, and while European immigration was negligible, foreigners, especially the English and Germans played a significant role within the native elite. As Martin points out, under these circumstances one might imagine that Ecuador would be little affected by the Great War, but such a supposition fails to take into account several factors of fundamental importance. The country’s location fronting on the Pacific and its possession of the Galápagos Islands complicated the difficulties of maintaining neutrality early in the war while the adverse effects of the prolonged conflict on the export of cacao, Ecuador’s chief source of national income, precipitated an economic crisis from which the country suffered during and long after the end of hostilities (Barrett & Pérez-Verdía, 1919, p. 437).

4 Crawford (1980) notes that “by 1915, the method of cacao production had converted the plantation in swampy terrains ideal for two fungus diseases: la monilia and la escoba de bruja. Foreign observers described the plantations as veritable jungles in part impenetrable (p. 164).
5 1911 Encyclopaedia Britannica/Ecuador.
ECUADOR AND WORLD WAR I

Ecuador and the Great War: August 1914 to April 6, 1917

Between August 4 and August 13, 1914, Foreign Minister Rafael Elizalde received a series of cables announcing that Germany was at war with Russia and France, that Germans had invaded Belgium, and that Britain was at war with Germany and Austria-Hungary. Four days later on August 17 the Ecuadorian government officially proclaimed its neutrality. Although it had signed but not ratified the Hague Convention of 1907, it declared it would adhere to the guidelines set out in Article V, *The Rights and Duties of Neutral Powers and Persons in case of War on Land*. Under these provisions, port authorities were to prevent the transport of arms, munitions, and any other elements of war in ships belonging to belligerent nations. They were enjoined to stop the dispatch of these same items in merchant marine ships if an authorized agent declared the cargo destined to states fighting the war. The authorities were to limit shipments of coal in belligerent boats to amounts necessary to allow them to reach the nearest foreign port. They might permit warships to take on food and other supplies that were not arms, munitions, coal or other elements of war, however, any cases of contraband that were discovered were to be reported to the Ministry of Foreign Relations. Finally, seaport authorities were to notify ships belonging to belligerent nations that they should disarm their wireless telegraph equipment since they were not permitted to send messages while there were in Ecuadoran waters.6

Ecuador faced complex foreign and domestic challenges during the first six months of the war. With regard to the former, its declaration of neutrality was in line with the stance taken by other Western Hemisphere nations, and as was the case elsewhere, public opinion was sharply divided on the merits of the warring parties. President Plaza and his ministers, horrified by the German invasion of Belgium, were strongly in favor of the allies (the Entente), but there was also support for Germany (the Central Powers) that was manipulated by the German chargé d’affaires in Quito, Herr Heinrich Rohland, a skillful and discrete diplomat. In contrast to Rohland the resident ministers representing the Allies seemed to have been extraordinarily ill-suited for their positions. At news of the war’s outbreak the French minister, Louis Gaussen, a youth of “talent and heart” immediately returned to Europe to fight for his country, only to be replaced by Henry Francastel, who soon caused so many difficulties that Elizalde asked that he should be recalled. Lucien J. Jerome who served Britain as chargé d’affaires at Quito and consul general at Guayaquil proved equally inept. The lack of tact on the part of these agents, who were more preoccupied with events in Europe than developments in Ecuador, was a major factor in the crisis that occurred in September 1914 concerning the stopover in the Galápagos Islands of the German cruiser *Leipzig*, the German Transport *Maria*, and the Norwegian bark *Kala* (República del Ecuador, 1915; Elizalde, 1920, p. 64).

With reference to this incident and based on investigations conducted by the Ecuadorian authorities, it appears that the *Leipzig* remained in Ecuadorian waters some 78 hours, taking on coal from the *Maria* and the *Kala*. The *Leipzig* also abandoned on one of the islands the crew of a British ship which had sunk some time previously. The local authorities sent these men to Guayaquil where they arrived on October 2. The governor of Guayas Province dispatched a telegram to Elizalde informing him of the arrival of the British sailors adding that “it is suspected that the German navy is attempting to utilize this archipelago as a base for its raids”. Dr. Elizalde immediately communicated this information to British chargé d’affaires Jerome, noting that while the

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dispatch merely suggested the possibility of the use of the Galápagos as a base by German navy ships, if such suspicion be verified, the government would not fail to lodge the necessary protest with the Imperial German Government (Martin, 1967, pp. 441-443; República del Ecuador, 1915, p. 303).

Jerome and French Minister Francastle immediately cabled their governments that it was an actual fact that the Germans were using Galápagos as a base. Although their allegation was unfounded, Britain and France requested that the United States instruct its Envoy Extraordinary and Minister Plenipotentiary in Quito, Charles S. Hartman to investigate. Elizalde resented this action because the accusation was absolutely false, and as a sovereign nation, Ecuador had diplomats in England and France to resolve the issue. He explained to Hartman, Jerome and Francastle the truth of the matter, but nevertheless in November Jerome and Francastel again cabled their respective governments with the new charge that Ecuador was not exercising necessary vigilance in controlling the radio station at Guayaquil. This statement had as little foundation as the preceding one. After Elizalde flatly denied it, Jerome and Francastel reported that they did not desire to pursue the issue, but on November 25 the British House of Commons was informed that the British and French governments had taken the unusual step of appealing to the US to investigate whether the Germans were in fact using the Galápagos as a naval base and Ecuador was failing to supervise the wireless station in Guayaquil.

In the words of Percy Martin, the conduct of these representatives after the assurances of Dr. Elizalde was “frankly inexplicable”, and on the basis of documents published by Ecuador there was no reason to believe that the authorities were remiss in their duties. Charles Hartman duly investigated the matter in Quito and supported Elizalde’s assurance that the accusations had no substance (República del Ecuador, 1915, p. 294). In a circular directed to the diplomatic corps dated December 31, 1914, Dr. Elizalde asserted in the most positive terms that the government of Ecuador had no definite knowledge of any act which might be construed as an infringement of the neutrality of the republic; that a warship would promptly be dispatched to investigate acts alleged to have been committed by the German fleet at Galápagos, and that the government would not fail to make the necessary protests should such acts be proven. Finally, he alluded to the painful impression caused by the appeal of Great Britain and France to the US, a state in no way involved in the existing controversy. This correspondence apparently closed the episode for no further protests were made by the British or French foreign offices (Martin, 1967, pp. 443-445).

In these first months of the war, Ecuador took an active role in conferences held by the Pan American Union to define more clearly the rights and obligations of Western Hemisphere neutral nations. The provisions of Article V of the Hague Convention quickly proved difficult for any one state to uphold, and as early as August 1914, the Peruvian government formally proposed that the American republics through their representatives at the Pan American Union in Washington D.C. work to secure a more exact definition of their rights as neutrals and to adopt a common policy for the protection of their commercial interests. On December 8, the governing board held its first meeting to consider proposals dealing with this question. The board unanimously agreed to adopt a plan offered by the Argentine ambassador, Dr. Rómulo S. Naón to name a commission of nine members of which the US secretary of state would be chairman, ex officio to study the problems presented by the European war and submit suggestions deemed of common interest. In addition, Ecuador proposed that the commission should negotiate an agreement with the belligerents that the ocean bathing the coasts of the American nations be considered neutral given the neutrality of the entire hemisphere,
while Venezuela circulated a memorandum calling for a meeting of a congress of neutrals (Martin, 1967, pp. 20-23; Elizalde, 1920, p. 67).

Although the commission met periodically throughout 1915 to discuss these and other proposals its labors failed to bear fruit for two reasons. First, during the autumn of 1914 the presence of powerful German and British fleets in South American waters had acted as a strong motive for common action, but on December 8 the British navy won a decisive victory over a German squadron commanded by Admiral Graf Maximilian von Spee when it attacked its supply base at Port Stanley in the Falkland Islands. Of the known German force of eight ships, only two escaped and one these, the light cruiser Dresden was destroyed by the British on March 14, 1915. This victory ended commercial raiding on the high seas by regular German warships. Even though several armed merchant vessels continued to be active in the Atlantic, South American countries found the task of safeguarding their neutral rights lightened. Second, the US did not support any of the proposals put forth by the Latin Americans. Without American backing and given the disagreement over strategy between the republics, efforts to come to a consensus consistently floundered (Martin, 1919, p. 24).

In August 1914 the domestic challenges facing Ecuador proved far more daunting than the diplomatic situation. In that year the county produced one of the largest cacao crops of its history: 971,678 quintales (the average crop was 676,097 quintales). Having no merchant marine of its own, Ecuador relied on British Pacific Steam and Navigation Company ships to transport its cacao to the principal markets in Hamburg and London. The lack of cargo ships was the first economic problem presented by the war since German as well as English merchant ships took refuge in neutral ports to escape confiscation. When transport was resumed, it was difficult and expensive; insurance coverage was restricted, and payment was often delayed for more than a year. Foreseeing these problems the government adopted on August 30 the Ley de Inconvertibilidad or Moratoria that prohibited the exchange of paper bills for gold (which had been the normal practice of every bank) and the use of gold to pay commercial obligations. Plaza Gutiérrez argued that this emergency measure was indispensable to deal with the financial problems caused by the Great War, but it also had an important objective: to avoid the collapse due to insolvency of the country’s largest bank, the Banco Comercial y Agrícola of Guayaquil, for since 1913 this bank had been emitting bills that were only 19 percent backed by gold (Medina, 2000).

The Ley Moratoria effectively made the Banco Comercial y Agrícola the official bank of the country. Between 1914 and 1924 the government relied on it to provide funds for its financial obligations, and one consequence was the near total absorption of the national economy by the plutocracy and the bank. President Plaza ruled from his hacienda “La Ciénega” in the sierra while the president of the Banco Comercial y Agrícola, Francisco Urbina Jado controlled financial affairs from Guayaquil. In order to be elected candidates for congress had to have Urbina’s approval, and between the bank and the government was an interdependence similar to a “tyrannical lending organization and a poor debtor permanently without funds” (Reyes, 1967, pp. 250-252). Thanks to restrictions on trade caused by the world war, income from customs declined. The government desperately needed money to support its bureaucracy and increasing debts, and the Banco Comercial y Agrícola was ready to supply funds for salaries, public works and financial obligations. It proved an inexhaustible lender, and despite the Ley Moratoria it issued billetes that were not backed by gold. This practice caused the depreciation of the sucre and increased the cost of living.
The outbreak of the war had a profound effect on cacao markets since Hamburg and London were the principal recipients of Ecuador’s crop. The huge harvest coupled with market adjustments reduced income from cacao by 15% by the end of the first quarter of 1914, and by September prices in Guayaquil were down 50%. In view of these difficulties, the Asociación de Agricultores de Guayaquil, a commercial organization begun in 1913 to provide price supports for cacao, intervened to buy and store the harvest. This strategy ended the initial depression in prices paid for cacao to the hacendados, and conditions improved enough by November 1914 that one quintal increased from a low of $10 to $18. On December 14, 1914, the US consul in Guayaquil, reported that the war in Europe had very little impact on the commercial situation in Ecuador. He continued:

The only effect has been the retention of gold from the local banks in Europe for a time, and there is no foundation for the assertions made in some places of a commercial depression, for its foreign trade is practically the same as always... It is clear that the commercial situation in Ecuador is decidedly favorable with respect for exports, and imports are equally satisfactory. (Crawford de Roberts, 1980, p. 156)

Although the war only temporarily harmed exporters, consumers were greatly affected by the change in the value of the sucre from 48.6 cents to 37 cents to the dollar between July and December 1914. Exporters bought cacao locally with cheap money and sold it expensively on the exterior markets. Importers and local consumers, on the other hand, were forced to use depreciated money to purchase articles only available from outside the country. As Crawford de Roberts points out, Ecuador was still a classic export country. Its imports were basic necessities, and the worker on the cacao plantation faced inflation when he bought clothing and food. “He did not die of hunger but he could not purchase as much from the hacienda store with his daily salary of $1.00” (Crawford de Roberts, 1980, p. 158).

Between January 1915 and the entrance of the United States in the war on April 6, 1917, Ecuador continued the policies of neutrality it had established in the first six months. When German, British and Japanese ships remained in the port of Guayaquil beyond the regulation limit of 24 hours, Minister Elizalde sent protests to the respective governments. In addition, on October 16, 1915 President Plaza signed a decree subjecting all radio stations to the inspection of the government, forbidding the employment of any subject of the belligerent powers as an operator, prohibiting the use of ciphers and ordering ships of all the belligerent powers to lower their antennae while in Ecuadorian waters (República del Ecuador, 1916, pp. 138-139). In June of the following year, at the request of the British and French legations at Quito, he modified this decree to the extent of permitting messages of an official character to be sent in code or cipher (Martin, 1967, p. 448).

Elizalde was also concerned about repatriation of Ecuadorian nationals living abroad when the war began. Consulates in Chile, Peru and Panama as well as those in Europe and the US received authorization to repatriate several citizens. The situation of one Salomón Phillips, the son of an Englishman born in Ecuador and registered as Ecuadorian with the Consulate in Hamburg, proved especially contentious. German authorities interned Phillips on the grounds that he was English. Elizalde sent an official protest asking that Phillips should be released since Ecuador did not recognize dual nationality and considered Phillips Ecuadorian (República del Ecuador, 1916, p. XXIV). Thanks to his effort the Germans did finally release Phillips (República del Ecuador, 1917, p. XXV).

The war forced postponement of several inter-American congresses which had been planned for 1915, 1916, and 1917, but Juan Cueva García, Vicente Gonzáles B. and Enrique Gallardo represented Ecuador at the
first Pan-American Financial Conference that met in Washington on May 24-June 15, 1915 under the chairmanship of US Treasury Secretary William G. McAdoo. Delegates to this conference discussed public finance, the monetary situation, the existing banking system, the financing of public projects and private enterprises, the extension of inter-American markets, the merchant marine, and improving facilities of transportation (Pineo, 1996).

Their deliberations extended beyond emergencies caused by the war to consider the organization of a permanent hemispheric entity that could deal with such problems as they arose. To pursue this goal, the delegates voted to establish an Inter-American High Commission to which each country would contribute a section of no more than nine persons headed by a cabinet minister to carry on the work of organizing an international body simultaneously in all the countries. The organization of the High Commission was of the great practical significance since it signaled a movement toward the creation of the Pan-American Union (Moore, 1920, pp. 343-344).

Domestic developments during this period again took precedence over concerns over war in Europe. As Plazas’ presidential term came to a close, two men vied to succeed him: Dr. Alfredo Baquerizo Moreno, the official Liberal candidate, and Dr. Rafael María Arizaga who represented the Conservatives. Baquerizo Moreno, backed by the coastal plutocracy, emerged as the winner in a patently fraudulent election held in February 1916, but as Reyes observes, despite the tainted victory, Baquerizo was probably “the better candidate of the two, a distinguished lawyer, a man of letters and a brilliant politician” (Reyes, 1967, p. 254).

In one of the last acts of his administration, on July 15, 1916 Plazas presided over the signing of the Muñoz Vernaza-Suárez Treaty that resolved long-standing questions concerning Ecuador’s 586 kilometer frontier with Colombia. Following the principal of Divotium aquarum or “just divide”, it established a border that ran through the highlands between the Putumayo and Napo rivers so that the Napo and its waters belonged to Ecuador and the Putumayo and its tributaries belonged to Colombia. The treaty guaranteed in perpetuity free navigation of jointly held rivers and created a mixed commission to settle the line in the Amazon region—an area further compromised by the occupation of Peruvian authorities (Rivas, 1961, p. 667).

The inauguration of Baquerizo on September 1, 1916 coincided with end of the bloody Esmeraldas revolt and the granting of a general amnesty for all those involved. Establishing peace in this important province freed Baquerizo to concentrate on other matters including the promotion of railroad construction, expansion of telegraph communication, and collaboration with Dr. Hideyo Noguchi, a member of the Rockefeller Institute in the sanitation of Guayaquil and the eradication of yellow fever along the coast.

On September 6, Baquerizo appointed Dr. Carlos Tobar Borgoño to succeed Rafael Elizalde as his Minister of Foreign Affairs while Elizalde became Ecuador’s ambassador to the US. Until January 1917 when Germany announced that it would begin an unlimited U-boat attack, Tobar Borgoño’s main concerns were finding ways to market the cacao harvest and to deflect US calls for repayment of bonds due on the Guayaquil-Quito railroad which had consistently failed to produce profits. Demand for chocolate grew during the war expanding from 230,000 tons in 1911 to 260,400 in 1916, but the former purchasing houses in London

7 Colombians regarded the treaty as an unqualified success, but Ecuadorians were less enthusiastic believing that they had surrendered a large portion of territory that originally belonged to the Audiencia de Quito (Pareja Diezcanseco, 1979, p. 331).
8 Tobar y Borgoño served as Minister of Foreign Relations throughout Baquerizo’s administration. In 1919 he was succeeded by Augusto Aguirre Aparicio who was appointed by incoming president José Luis Tamayo.
and Hamburg were now proscribed belligerents, forcing exporters to find a neutral port. By default New York became the world center of the cacao market retaining this position after the war. With the German-British monopoly on Ecuador’s commerce finally broken, the US emerged as the principal buyer for cacao and the supplier of 51 percent of the country’s imports.

In 1916 the Minister of Treasury reported that the country was facing a disastrous monetary crisis due to public debt, money owed to government employees, and underfunded public works. In addition payments exceeding $1,200,000 were owed the army for its service during the four-year war in Esmeraldas. A year later the Minister of Hacienda declared that the government owed $23,087,624.48 to the Banco Comercial y Agrícola. The budget was $3,650,000 but its obligations totaled over $5,634,211. Oblivious to Ecuador’s penury the US State Department insisted that the republic begin monthly payments on bonds owed to American share holders of the Quito-Guayaquil the railroad. Subjected to relentless pressure President Baquerizo Moreno buckled and promised to make deposits into the accounts of the Guayaquil and Quito Railway in Guayaquil banks beginning on January 1, 1917 fully aware that the treasury lacked funds to honor this commitment (Crawford de Roberts, 1980, p. 15; Pineo, 2007, pp. 82-83).

On January 31, 1917 Germany declared that it would commence unlimited submarine warfare making fair game of almost any vessel headed for Allied port including those from a neutral country. As soon as this news reached the United States, President Woodrow Wilson severed diplomatic relations with Germany and urged the Latin American nations to follow his example. Ecuador did not respond citing the fact that it had not been officially notified of the German decree since the German chargé de affaires, Heinrich Rohland had left Quito some time previously leaving the legation vacant. When on February 5 the US ambassador Charles S. Hartman asked Tobar Borgoño to state whether or not Ecuador would join the remaining neutral countries in breaking relations with Germany as a result of the submarine crisis, the minister demurred, replying that “his government would never consent that any one of the belligerents diminish or flout the rights to which Ecuador is assured by international law and existing treaties”, but that Ecuador would not proceed until it had learned the sentiments of the remaining governments of the continent (República del Ecuador, 1917, pp. 249-250). When this effort bore no fruit, Tobar abandoned further attempts to take the initiative in summoning a congress of neutrals (Martin, 1967, pp. 452-453).

**Ecuador and the Great War, April 6, 1917 to November 11, 1918**

The US declaration of war against Germany on April 6, 1917 followed by Cuba and Brazil and the severance of diplomatic relations by Peru, Uruguay and Bolivia brought renewed pressure on Ecuador to follow suit, but President Baquerizo temporized. In his message to Congress on August 10, 1917 he declared:

We continue to uphold a policy of neutrality and our efforts to secure a more open and frank understanding among all nations of the American Continent. We have said on every occasion, when justice so demanded, that we are in sympathy with and have faith in the great democratic principles, the fundamental basis of those nations. The Continent of America, therefore, will always find us with it. (Barrett & Pérez-Verdía, 1919, p. 18)
Circumstances changed when Peru broke off diplomatic relations with Germany on October 5, 1917, and it was reported that Dr. Frederick Perl, who was the German minister at Lima, intended to go to Ecuador, since he was appointed minister to both countries. Tobar Borgoño announced on October 7 that if Dr. Perl tried to present his credentials in Quito, the Ecuadorean government could not receive him without doing violence to the principles of American solidarity which governed its foreign policy.

Shortly thereafter Dr. Wilhelm Müller (formerly German consul at Seattle) requested that he should be received as chargé d’affaires replacing the absent Rohland. As his only credentials were some telegrams and a letter of credence from Perl, Tobar y Borgoño refused to recognize him. Müller, who seems to have been unable to take no for an answer, continued to style himself in Quito as “chargé d’affaires”. His final gaffe occurred on December 3 when on the occasion of the death of Mgr. Federico González Suárez, Archbishop of Quito, he sent a letter of condolence to the vicar-general of the archdiocese in which he signed himself “the chargé d’affaires of Germany, though not yet recognized”. On attending the archbishop’s funeral, Müller insisted that he should be seated in the place reserved for the diplomatic corps, taking precedence over members of the supreme court of justice. This time he had gone too far. On December 4, Tobar sent a communication to Sr. Victor Eastman, Chilean minister and dean of the diplomatic corps, describing Müller’s offensive conduct. Then determined to remove all uncertainty regarding Ecuador’s attitude toward Germany and its self-styled representative, he dispatched a circular to the members of the diplomatic corps on December 7 declaring that the suspension of diplomatic relations that had existed for some time between Ecuador and the German Empire should forthwith be regarded as “a formal and definite rupture” (Kelchner, 1930, p. 29). A few days later the minister of war issued an order to port authorities that henceforth all ships of the Allies or the United States might enter Ecuadorian territorial waters without restriction (Martin, 1967, p. 460).

By breaking relations but not declaring war on Germany, Ecuador’s adopted a position similar to Peru, Bolivia, Uruguay and the Dominican Republic. In his Message to Congress on August 10, 1918 President Baquerizo Moreno explained the decision with the following words:

On December last we broke off diplomatic relations with the German Empire. In the session of 1917, the Congress had been already informed of our refusal to receive the German Minister, Mr. Perl, a refusal which implied of course the suspension of our diplomatic intercourse with Germany. The attitude of Mr. Müller and our duty to follow a course which should express our solidarity with many countries of America which have already adopted a similar attitude or have gone even farther in their expression of international policy, have seemed to us reasons to justify Ecuador, which is a democratic country with liberal institutions, in adopting such a course. (Barrett & Pérez-Verdí, 1919, p. 18)

Ecuador’s new stance on the war did not soften US determination to force its government to make payments on the railroad bonds. In 1918 the newly created US Shipping Board and the US War Trade Board began to drastically reduce licenses granted for cacao and other imports deemed nonessential to the US war effort. In June Secretary of State Robert Lansing warned Minister Tobar Borgoño that interests on the bonds must to be paid “in order to avoid more serious restrictions being placed by the War Trade Board on the import of cacao into the United States” (Pineo, 2007, p. 82). In fact the War Trade Board was contemplating blocking all Ecuadorian cacao shipments “in order to save tonnage for important war purposes” and was also considering restricting imports of tagua (nuts from ivory palms) and Ecuadorian-made panama hats. By July Ecuador caved in completely promising to make daily deposits from customs receipts to serve the bonds, and Washington responded that it would allow it to continue to send cacao to the US.
When a month passed without Ecuador making any of the promised daily deposits, the annoyed US War Trade Board withdrew all Ecuadorian licenses for cacao shipments. Trade immediately halted in Guayaquil, and dockworkers stopped loading cacao on the ships at the wharf. Confronted with US pressure and utterly humiliated, Ecuador commenced daily bank deposits to service the debt submitting the paperwork for the daily customs receipts to the US consul in Guayaquil so that he could verify that the deposits were being made. In November 1918 the War Trade Board lifted the ban and approved Ecuador’s request that 14,000 tons of cacao in storage be shipped to the US with receipts from its sale applied toward retiring the debt (Pineo, 2007, p. 83).

In the meantime, while the tug of war over bond payments was being carried out, a campaign begun two years before by the Rockefeller Foundation Yellow Fever Commission to rid Guayaquil of yellow fever was achieving remarkable success. The discovery that a specific type of mosquito—the Aëdes aegypti—transmitted the disease had prompted General W. C. Gorgas to undertake vigorous anti-mosquito measures first in Havana and later in Panama—actions that contributed to the successful completion of the Panama Canal in 1914. In 1916, Gorgas, now director of the Rockefeller Foundation’s Yellow Fever Commission, turned his attention to Guayaquil, a port infamous for harboring contagious tropical diseases. Under his leadership a staff of 125 men working in 25 squads began ridding the city of mosquitoes by screening water-storage tanks, cleaning out roof gutters, clearing courtyards of cans, buckets and other containers where the mosquito could breed. They drained ditches, applied oil to standing water and resorted to such ingenious devices as using fish to devour mosquito larvae in water barrels. The results of these efforts were soon discernable. In 1918 Guayaquil registered 480 yellow fever cases, but after six months of control work the last case of the disease was recorded in May 1919 (Fosdick, 1952, p. 61). Guayaquil, long the worst pest port on the Pacific, was declared healthy for Ecuadorians and foreigners alike.

Given this unhealthy reputation, it is surprising to note that the influenza pandemic that engulfed most of the world between June 1918 and June 1919 and left some 50 million people dead seems to have bypassed Guayaquil. On December 6, the port authorities informed President Baquerizo Moreno that “the Spanish flu has not appeared in Guayaquil and that all incoming boat crews had been carefully checked without finding traces of the disease”.9 Cases of influenza were reported in Quito by mid December, but the epidemic’s impact appears to have been far less than in other Andean cities such as Bogotá and Caracas.10

Ecuador and the Restoration of Peace

On November 11, 1918 at 11 A.M. the armistice signed between the German commission and Allied military leaders took effect, and the Great War was officially over. For concentrated destructiveness it had surpassed anything in human history, with millions of people killed and many more seriously wounded. Even more significant from the standpoint of Ecuador and the rest of Latin America was that as Britain, Germany, and France struggled to rebuild after the war, the United States was solidifying its economic and political ascendancy in the Western Hemisphere.

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9 *El Comercio* (Guayaquil), No. 4,564, December 6, 1918. Pineo who made an extensive study of disease, health care and death in Guayaquil from 1870 to 1925 found no evidence of an increase of cases of influenza that might be attributed to the pandemic (Pineo, 1996, pp. 100-137).

10 *El Comercio* (Guayaquil), No. 4,593, December 23, 1918. Ecuador’s experience with the Spanish Flu is a fascinating topic that remains to be systematically researched. For the devastation caused by the disease in Bogotá see Álvaro Miranda, “Treinta días persiguiendo la muerte: miseria, dolor y obras de caridad en Bogotá de 1918, desolada por la epidemia de gripe” (Miranda, 2008).
On January 18, 1919 diplomats of the victorious allies gathered in Versailles, France to decide the fate of Germany and its defeated partners. Those Latin American republics which had severed relations with Germany or declared war against that country were invited to participate in the peace conference which continued until the signing of the Versailles Peace Treaty on June 28. Dr. Enrique Dorn y de Alsúa, Ecuador’s ambassador to France and Great Britain, attended these meetings and signed the peace treaty for Ecuador, but the government failed to ratify it (República del Ecuador, 1917, 1919; Martin, 1967, p. 550). Although eligible to join the newly established League of Nations, Ecuador delayed accepting the invitation until 1935, an omission Pineo suggests was due to the fact that during “its endless changes of government” in the post war period, Ecuador let lapse nearly all its diplomatic postings, maintaining only minimal representation in Peru, Colombia and the United States (Pineo, 2007, p. 104).11

Conclusion

In an article published in the May 1920 La Revista del Mundo, former Minister of Foreign Affairs Rafael Elizalde summarized the impact of the war on Ecuador. On the one hand, he noted that after resolving problems caused by belligerent ships visiting the Galapagos in the fall of 1914, the actual fighting of the war in Europe barely touched the country. In contrast to some Western Hemisphere countries, not even one German ship was stranded in Ecuadorian ports. The conflict brought to the fore the need to place controls over wireless telegraph operations and the dilemmas raised by dual citizenship of Ecuadoreans living in Europe, but Elizalde asserted that the European war also had a politically positive effect in solidifying the determination of the Western Hemisphere states to join in a Pan American union.

On the other hand, the economic impact of the four years of fighting was anything but favorable. Elizalde asserted that Ecuador was “the only American country that not only did not benefit economically from the war but that suffered the consequences of it”. While other countries saw an increase in exports to the US of wheat, meat, wool, sugar, and metals, Ecuador had only cacao to export in large quantities and these exports were restricted by Great Britain, France, and even the United States. Due to the war necessities, Britain prohibited the export of jute with neutral countries resulting in a lack of sacks in which to pack the grain, and with the absence of ships to transport cacao, complete paralysis of trade was avoided with great difficulty. Given the problems of importing food products after the US restricted their export citing wartime concerns, domestic needs stimulated the growing of potatoes, wheat, and rice in the sierra region and promoted the production of petroleum, a nascent industry being developed with national capital. Nevertheless, the decrease in trade reduced proceeds from customs causing a 15% income decline between 1913 and 1917 and forcing the regime to delay service on debts owned to foreign creditors, to cut back salaries of government employees, and to postpone proposed public works projects (Elizalde, 1920, pp. 68-69). The dependency of the government on the Banco Commercial y Agrícola encouraged graft and corruption and solidified the control of the so-called plutocracy in running the country.

By 1918, when Ecuador was producing about 45,000 tons of cacao a year or 15% of the world total, the US War Trade Board limited the sale to 14,400 tons a year. By June 1919, with another Ecuadorian harvest on the way, Ecuador would soon have some 42,000 tons of cacao awaiting a buyer. Fortunately, in that year the

11 Aguirre Aparicio in his Informe of 1919 discusses at length the lack of funds to support Ecuador’s diplomats abroad (pp. 6-10).
US closed down its wartime bureaucracies, freeing up Ecuador’s shipments, but by that time there were new threats to the country’s reliance on exports of a single crop (República del Ecuador, 1919, p. 31). Cacao plantations planted in Brazil and the Gold Coast in Africa in the 20th century had begun exporting their harvests at the same time the two fungus diseases, Monilia and witches broom were ravishing Ecuador’s plantations. Although there was a hope that a cure would be discovered, post war British and US reports described the conditions of the plantations as “poor and disastrous”. By 1920 the Gold Coast had emerged as the world’s leading producer with an annual output of 126,596 tons, Brazil was second with 56,654 tons leaving Ecuador in third place with 43,000 tons (Crawford de Roberts, 1980, pp. 163-164).

In September 1920 Baquerizo Moreno delivered the presidency without incident to fellow guayaquileño and staunch Liberal, Dr. José Luis Tamayo who would face the enduring effects of the impact of the European war. Embezzlement rooted in the war economy did not disappear because it had become a standard practice in commercial and banking actions. Lack of work, inadequate salaries, and the impact of socialist ideas encouraged workers to organize and protest. In November 1922, the employees of the Guayaquil Electric Company demanded raises in salary, and when their demands were not met, they went on strike. Banks and shops closed their doors as 15,000 workers took to the streets. Unable to control the protest, the army fired indiscriminately into the rioters leaving many dead. Despite the increasing unrest Tamayo finished out his term in 1924, but a revolution the following year brought an end to the era of plutocracy.

References


