My dear Mr. Secretary:

I have sent you under this same date a top secret and personal letter for your personal attention in which I set forth certain important observations with respect to the Argentine situation on compliance, and I think you will be pleased with the progress which has been made by our Argentine friends in this program and which gives every promise that before the end of this year we will be able to place our relationships with the Argentine on that completely friendly, collaborative, and constructive basis on which they must be in the interests of both countries and of this hemisphere.

I have covered in that letter of this same date the four points on which there must be compliance in order to meet your statement of April 8, 1946: (a) ratification of the Acts of Mexico City and San Francisco; (b) adequate action in the field of enemy property; (c) adequate action in the field of enemy aliens; and (d) adequate action in the field of Axis schools and institutions.

In view of the fact that there is a tendency on the part of a certain part of the press in the United States and certain individuals to continue to refer to the present Government of the Argentine as Fascist or Nazi and totalitarian in its objectives, and in view of the probability that the so-called "5-Year Plan" which the

President

The Honorable
James F. Byrnes,
Secretary of State,
Washington.
President of the Argentine has proposed to the Congress may be, and has already been, misinterpreted by a part of the press in the United States and before it has had adequate knowledge of the Plan, I have prepared a top secret despatch No. 1102 dated October 26 entitled "Importance of the United States Maintaining its Political and Economic and Cultural Position in the Argentine, and some Observations in Connection Therewith".

I know the demands on your time, but in view of the importance of this Argentine matter to us and to this hemisphere, I would like to say that I am sure you will wish to read this despatch.

On the assumption that you will read it, I will, therefore, in this letter make only brief reference to certain essential facts.

There will undoubtedly be a tendency, when the President and you arrive at the point where you are prepared, on the basis of Argentine compliance, to make a statement on the basis of which our relations will be entirely normalized, for some to say that in spite of Argentine compliance which they must recognize as adequate that we cannot proceed with this normalization of our relationships, and for example hold the Rio meeting for the defense pact and with the Argentine participating on the basis that it is a totalitarian state, completely directed in an economic sense, and administratively in another direction than ours. For this reason I have prepared this despatch No. 1102 of which a copy is appended.

The fact is that, as you know, most of the Governments in the other American republics are arbitrary in their methods, the administration of government is disorganized and ineffective, and a great deal of power is lodged in the head of the state and in a few people. In many of them constitutional procedures are not very carefully followed. Some of us have a tendency to expect too much of some of these governments for we assume the democratic processes and practices have developed far more than they really have. Those of us who have followed these situations, know that we must have a great deal of patience and understanding, and the important thing is that democratic processes are developing in these American republics much more rapidly in recent years and a great deal of progress has been made, particularly in the last years.

So far
So far as the Government of the Argentines is concerned under the present administration, there is nothing totalitarian, Fascist, or Nazi about it. As I have pointed out in my other letter to you of this date, the Government is following constitutional practices and leaning over backwards to do so.

The "5-Year Plan" which has been announced by the President and proposed to the Congress is a very definite effort on the part of the Argentine Government to bring better administration into a government which, is, like that of the other American republics, sadly in need of it. So far as the social and economic aspects of the program are concerned as a matter of fact, the Plan is based more on some of our own experiments and on some of our own procedures than on those of any other country. There is not any doubt that President Perón and his associates found their basic inspiration for their plans for better administration and for greater social justice and for economic development in our own procedures.

As is to be expected, some of the laws which have been proposed to the Congress for the implementation of the Plan go too far, and it is this which will cause concern, and properly so, to all of us. I had a long talk with the President about a week ago and another at his house last evening where for over two hours we discussed the basic objectives of the Argentine Government. I want to tell you briefly some of the things he said and which I am sure he means. At the outset I should say that the picture which has generally been painted of President Perón is not a correct one. He is a highly intelligent man, and I am confident, a well intentioned one. He has much greater knowledge of economic problems than he is credited with. He is far more moderate and understanding than many of his critics. I am able to make this statement because I have had this close contact with him during the last five months and have discussed all manner of problems with him, and as to his good faith and sincerity, I have no doubt whatever for he has not once let me down, and in what he has publicly said and done, has carried through what he has said to me in these informal and I believe, most helpful conversations.

Last evening when I told him that his "5-Year Plan" would arouse unfavorable comment because it would be misunderstood, the President said that this he thoroughly appreciated...
appreciated and that it was almost inevitable, but that without submitting a program to the Government, they would make no progress whatever. In a country in which government had been so disorganized and had paid so little attention to pressing problems of the country for so many years, a plan was absolutely necessary to make any progress.

When I said to him that some of the laws which were proposed to the Congress to implement the Plan went too far, the President said he thoroughly appreciated this and that he was appointing a Commission composed of some twenty persons of which four would come from the Government itself, four from the Sociedad Rural, four from the Association of Manufacturers, four from the financial interests, and four from the workers, and this Commission would be for the purpose of studying the implementation of any procedure under the Plan in order to make certain that it would be constructive and not damaging to the interests of the country, but the contrary. He said that he realized that this was absolutely essential.

When I said to him that the Plan was too ambitious, he said that he thoroughly realized that, but that if they achieved 50 percent of it, they would be most fortunate, and if they achieved 25 percent, it would still be a great step forward.

When I told him that some of the burdens placed on industry and commerce were far too great to be borne, he said that he realized this and that it would have to be seen to that the plan was modified so as to meet these situations. He said that he did not consider and the Plan was not to be considered as an inflexible Plan but as a proposal, and that I knew he had already asked all sectors of opinion in the country to make criticism of the Plan and to offer constructive suggestions. He has done this.

When I said to him that industrial progress in the Argentine would require the encouragement of private initiative in the country and adequate protection to private capital, native and foreign, he said that he had made his own attitude and that of his Government adequately clear and that was that private capital would be given every proper protection and that the last thing that the Government wished to do was to go into any enterprise in which private capital would take the initiative. To emphasize what
what he said, he called my attention to the fact that although the Government had bought the Unión Telefónica from the International Telephone and Telegraph Company and paid for it with Government funds, he was arranging that it be operated as a mixed company with Government and private Argentine capital, and that under no circumstances did he want it operated purely as a Government enterprise for he knew that would be a failure and result in higher tariffs and poorer service.

When I said to him that private capital, both in the Argentine and abroad, would have a certain reluctance to go ahead with sound industrial projects in the Argentine for fear of too heavy burdens or intervention by the Government, he asked me if I had seen anything since I was here to indicate that such fears were well founded. I said that so far in practice I had seen nothing, but that some of the proposed laws under the Plan, if actually carried through to the letter, would impose such burdens. He said that he recognized this and had already told me the Plan was not intended to be inflexible and was the subject of discussion and constant change. They had to have a point of departure or they would get no where.

When I said to him that the program of the Government with respect to public utilities was causing great concern among some of these foreign interests, the President said that I would have noticed that since he became President there had not been any expropriation, and he then went on to say that there would be none. He said in the most emphatic terms that the Presidency and the Central Government would not make any expropriations and would make every effort to prevent such expropriation by Provincial Governments. He pointed out that the structure of the Argentine Government in many ways was very different from that of other American republics, and for example, the Provinces had extraordinary powers which the States in the United States did not have. He said that for example the Government of the Provinces could make foreign loans without the approval of the Federal Government which was an impossible situation. This system he says gives the Governors of the Provinces powers to do things which caused great inconvenience, and among other things, it gives them the power to expropriate public utilities. We discussed this point at great length, and the President said that he had just had the Governor of Córdoba in Buenos Aires
Aires for three days explaining to him why the government of that Province could not go ahead with the expropriation of a foreign owned utility there which happens to be owned by the American and Foreign Power Company. He said he could not eventually prevent the Governor from expropriating if he became bullheaded, but he thought that he would be able to prevent it, and just as he was proceeding in the matter of Córdoba, he would proceed in the other Provinces.

With respect to public utilities, especially in the field of light and power and public services, the President said that while the Argentine had a program of hydro-electric power that he knew it was necessary for the foreign owned public utilities to have all proper protection and aid from the Government for years to come and until the Government was able to buy these at a proper price.

With reference to petroleum, he said that fuel was one of their basic needs as they knew from the fact that they had been obliged to burn corn and wheat and linseed during the war because of their inability to get coal from abroad. He said that it was his intention to encourage the foreign owned oil companies in the Argentine to develop their operations here, and was thinking in terms of mixed companies with Argentine and foreign capital. He said that he was already having conversations with the head of the Y.P.F., which is the Government monopoly here in oil, and with the appropriate people in the field of power and with representatives of American oil companies to see on what basis the American companies would be able to develop their oil resources of the Argentine in certain defined areas and under ample guarantees. He said that he realized this was important as the basis for any industrial program in the Argentine, and it was important from the point of view of continental defense as well as revenue for the Government.

In view of the fact that our American oil companies are having so much difficulty in some American countries and from some of which they are thoroughly and completely excluded, I think it is most encouraging to note that the Argentine Government is thinking in terms of giving American oil companies, not only a new lease on life here, but greater encouragement for investment and development on the basis of adequate guarantees.
In this connection I should state that yesterday the head of one of the largest American companies in the Argentine and which is engaged in the production of cement, came in to see me and said that he and his associates in the cement industry in the Argentine had been to see the President the day before and had had a most satisfactory conversation with him. The Argentine Senate had already passed a bill expropriating the cement plants. The President told the cement industry not to be concerned about this proposed law as it was impossible for it to become law as there was no reason whatever for expropriating the cement plants, but on the other hand, he wished them to proceed to make all the necessary investments in order to increase the cement production of the country to meet the pressing needs of industry and construction. The head of this American cement company who came in to see me and gave me this information said that the President could not have given them more adequate guarantees with respect to their industry.

The Association of Industrialists here which had been fighting the Government and which had actually been dissolved by the Government because of its attitude, has recently visited the President and has discussed with him the "5-Year Plan" and the collaboration which they can give. This Association of Industrialists, which is made up largely of people who have been opposed to the present regime, has completely changed its attitude so far as collaboration in the industrial program is concerned as they feel that it is the intention of the Government to maintain private initiative.

I do not wish to burden this letter, but must make mention of several further important factors. In a recent conversation with the President, I said to him that the present export controls of the Argentine were not only damaging to the internal economy of the country but were completely out of line with constructive thought in world economy. The President said that he realized this and it was not the intention of the Argentine Government to maintain these controls and that as soon as the object of the controls, which was to provide adequate supplies for the internal market, was met, the controls would be removed and he would be the happiest man when they were removed. When I spoke of the powers which had been given to the Ministry
Ministry of Commerce to establish import controls, he remarked that I would note that no import controls had been established and if it could possibly be avoided, none would be established.

When I spoke of the interpretation which was being placed on his remarks with regard to a directed economy, he said he wished to make it most emphatic that it was not the intention of the Argentine Government to establish a directed economy. There were presently certain interventions by the Government which were necessary, but these were not intended as a permanent economic policy but merely transitory measures which were to be done away with as soon as possible.

Of course it may be said that the foregoing are words, but what I wish to bring out is that so far we have not had any reason to question the good faith or the performance of the President of the Argentine since he has become the constitutional president of the country.

In the despatch which I transmit herewith, I bring out the fact that so far as export and import controls are concerned, Great Britain has gone much further than the Argentine has gone and has ever thought of going. I bring out in the despatch that the present Labor Government in Britain has plans, some of which it has already carried through, for the intervention of Government in private business which go far beyond anything which is contemplated in the Argentine. It is one of those curious things that it is difficult to explain that although Britain has done far more in the way of a directed economy than is generally understood, little is said about it, but in the Argentine where the moves in the direction of controls and controlled economy have made little progress and where there is no intention of continuing them, it is represented in our press as a totalitarian, Nazi, Fascist regime.

I have written you this letter and have prepared this despatch No. 1102 in order to try to get this picture into some perspective because in these matters we cannot work and act on the basis of prejudices or passion or suspicion, but we have to work on the basis of facts, and the facts so far are what I have recited in this despatch and in this letter.

I should
I should note that so far as controls are concerned, a number of the American countries have placed into effect and have had in effect for some years controls of various kinds in the economic field which go far beyond any in the Argentine, and they have shown no tendency to release these controls. The controls which have been established in the Argentine as a temporary measure have had this wide publicity because it so happens that the Argentine is a major supplier of foodstuffs and the controls have had unfortunate repercussions. The real danger in these controls, however, has lain not so much in the character of the controls as in the inefficiency with which they are carried through, and that is one of the reasons why these controls in the Argentine are impossible because efficient management of such controls cannot be expected under the best circumstances for years.

The fact is that although certain circumstances would point to the Argentine being a difficult collaborator in our economic plans, the prospects are that she will be a better collaborator than England and some of the other American countries. If no one has brought to your attention an article in Time in the issue of October 25 entitled "Economics", I think you will wish to have someone bring it to your attention for it shows some of the difficulties which we will have in connection with the wise and sound economic plans which our Government is proposing and defending, and wisely so. We will need friends to support us in these plans, and I believe we can get the Argentine to support us but we cannot do it unless our relations with the country are on the normal and collaborative basis that they should be.

One of the difficulties with this Argentine question is that so much passion and prejudice has been aroused that things happening here are not seen in their proper perspective. As the Chief of our Mission here it has been my endeavor to try to keep our Government adequately informed and objectively so and constructively, and I believe that I have done so.

It is because of the importance of these economic problems as well as defense and other matters that I have been willing to labor in this field. I think objective observers will tell you that during the last five months the atmosphere in the Argentine with regard to the United States
States has completely changed. There is a sincere desire, not only to collaborate with us, but to collaborate with us very fully. Sometimes I myself can hardly believe that such a decided change has taken place in so short a time, and I want to make it clear that I am not claiming the credit for it. The only way I can claim any credit is that I have conducted myself here in the manner that a Chief of Mission of our country should, and I think I have been able to arouse new confidence in our attitudes.

We will have the opportunity before the end of this year, with Argentine compliance under your declaration of April 8, to put our house in order with the Argentine and lay the foundation for a most constructive collaboration in the interests of the whole hemisphere. If we fail to use this opportunity and if we try to keep this country in quarantine, we will create new feelings of animosity and consolidate old ones, and this would be most natural and inevitable, and the results would be that we would have lost for several decades the opportunity of clearing up our relations with this country and working with her to mutual advantage. Any other course would certainly be most unwise and unstatesmanlike, and I am therefore completely confident of the attitudes which the President and you and the Department will take in these important matters.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith

Enclosure:

Copy of Despatch No. 1102
dated October 28, 1946