SECRET

Memorandum

To: The Ambassador  December 4, 1946.
From: Mr. Smith
Subject: Observations with respect to United States - Argentine Relations.

The Argentine Problem - Is it real or imaginary?

On the assumption that the solution to a problem rests first on the recognition that a problem exists, it becomes necessary to analyze the criteria by which we measure the Argentine situation and determine it as a "problem". Chapter LIX of the Final Act of the Inter-American Conference on Problems of War and Peace is devoted to a communication addressed by the Argentine Government to the Pan American Union. With regard to this communication the Conference resolved:

1. To deplore that the Argentine Nation has up to the present time not found it possible to take steps that would permit its participation in the Inter-American Conference on Problems of War and Peace, the conclusions of which have consolidated and extended the principle of solidarity of the hemisphere against all types of aggression.

2. To recognize that the unity of the peoples of America is indivisible and that the Argentine Nation is and always has been an integral part of the Union of the American Republics.

3. To express its desire that the Argentine Nation may put itself in a position to express its conformity with and adherence to the principles and declarations resulting from the Conference of Mexico, which enrich the juridical and political heritage of the Continent and enlarge the scope of American public law, to which on so many occasions Argentina itself has made notable contributions.

5. To declare that the Conference hopes that the Argentine Nation will cooperate with the other American Nations, identifying itself with the common policy these nations are pursuing, and orientating its own policy so that it may achieve its incorporation into the United Nations as a signatory to the Joint Declaration entered into by them.

If we
If we are sincere in recognition of the facts expressed in paragraph 2 above, and if we are sincere in the desires and hopes expressed in paragraphs 3 and 5, it would appear that the recent recognition and ratification of these principles by the Argentine Government complies with the desires of the Conference.

On page 86 of the "Blue Book", presumably our official expression of attitude toward Argentina, appears the following:

The Future Danger from Germans
Economic Resurgence in Argentina.

Since the commitments of Mexico City call upon Argentina to intensify its "efforts to eradicate the remaining centers of Axis subversive influence in the Hemisphere", and since it recognized that "the Axis powers, although they realized that they had lost the war, nevertheless hoped that they would win the peace by reconstructing their centers of influence throughout the world", it is important to note that the measures of control by the Argentine Government have not interfered with the essential predominance of Nazi-minded Germans in the Argentine economy.

In Argentina the Germans have constructed a complete duplicate of the economic structure for war which they had in Germany. They possess today in Argentina the economic organization--industrial, commercial and agricultural--which they need to provide a base for the reconstruction of German aggressive power during the period when the homeland is still occupied. The industries essential to warfare in which experimentation in the weapons of future wars may take place and in which prototypes may be developed exist in Argentina and are controlled by Germans.

Business which may be relied upon to produce foreign exchange needed for research, for payment of agents and salaries, for propaganda and so-called cultural activities, and to provide reserves for future aggression in countries destined for conquest, continue to exist.

If this official statement forms a part of the criteria by which we designate the Argentine situation a "problem", a careful analysis of the statement may well be in order.

By our own admission the commitments call upon Argentina to intensify its efforts to eradicate the remaining centers of Axis subversive influence in the Hemisphere. Certainly any fair minded person must admit that Argentina has intensified
"intensified its efforts" along this line, has accomplished considerable when viewed on a comparative basis with other American Republics, and, in view of the strong nationalistic trend, can hardly imagine Argentina falling victim to subversive influence by Axis or any other power. The words "remaining centers" could only have been included for the express purpose of implying that these centers are in Argentina; a supposition not entirely supported by fact. By this we seem to close our eyes entirely to the strong centers of Japanese in Brazil.

The second paragraph of the above quotation is so utterly incorrect that an intelligent analysis is extremely difficult. To say that the Germans have constructed here a complete duplicate of the economic structure for war which they had in Germany and that they possess the industrial and commercial organization to provide a base for reconstruction of German aggressive power, would appear to be entirely too complimentary to a few individuals of means who prefer the land of easy money and easy life to their former home. German investments in Argentina have been estimated by one source at $12,000,000. If such a sum represents the "economic structure" for a modern war our tax payers have been victimized. If such a sum represents the economic structure for war, should we not then also be concerned with Italian investments here amounting to $25,000,000 and Spanish interests of $42,500,000? As to the industrial and commercial facilities, the writer knows of no German owned banks, or factories for the manufacture of planes, guns, ships or tanks in Argentina, items recognized as most essential to the waging of war. Should the German population of Argentina be given complete freedom of operation it is hardly within the realm of intelligent imagination that their 90,000 people and $12,000,000 constitute a serious threat to the peace and security of the world. It might also be worthwhile to mention here a type of warfare which was employed so successfully in the Pacific during the late war; that of segregating and isolating small enemy strongholds. The Japanese in Rabaul, incidentally some 90,000, gave very little trouble after the occupation of Tokyo. With the proper occupation and administration of Germany, it seems incredible that the handful of Germans in Argentina could "provide reserves for further aggression in countries destined for conquest".

Argentina has been criticized by some for what appeared to them to be delinquency in making a declaration of war against the Axis powers, (March 27, 1945). Here again, the action taken in this respect by some of our close allies and collaborators is of interest.
Brazil declared war on Japan June 6, 1945.

Chile declared war on Japan April 11, 1945, no declaration of war on Germany.

Colombia made no declaration of war on Japan.

Ecuador made no declaration of war on Germany.

Egypt declared war on Germany and Japan February 24, 1945.

India made no declaration of war on Japan.

Lebanon declared war on Germany and Japan February 27, 1945.

Mongolia declared war on Japan August 9, 1945.

Paraguay declared war on Germany and Japan February 7, 1945.

Peru made no declarations but considered itself in a state of war with Germany and Japan from February 12, 1945.

Saudi Arabia declared war on Germany and Japan March 1, 1945.

Syria declared war on Germany and Japan February 26, 1945.

Turkey declared war on Germany and Japan February 27, 1945.

Uruguay and Venezuela declared war on Germany and Japan February 15, 1945.

AND, lest we forget, Russia declared war on Japan August 8, 1945.

From our demonstrated attitude toward some of the above it would appear that declarations of war against Axis Nations are no longer criteria by which we judge the "problem" governments.

If none of the factors above provide the foundation of our present attitude toward Argentina, then the writer is able to think of but one more factor which may influence high-level decisions. That the so-called Argentine situation has been over emphasized by the Department, the press, and the public of the United States, is recognized by all persons having service in Buenos Aires. We have stressed
to the world the importance of Argentina to the point where Argentina feels that importance. Coincidental with this trend has been the enlargement and addition of sections and agencies in our Government to deal with the "difficult Argentines". Can it be that we now find in our midst people who are determined to make a career of animosity and ill-will toward Argentina? If that be the case, the writer is of the sincere opinion that no action by the Argentine Government, regardless how drastic, will satisfy the personal antagonism or selfish interest of these people.

Where does the importance really lie?

It seems strange that the Government of the United States, or more specifically, the Department of State of the United States, should be the only government or agency which appears to place so much importance in the Argentine situation. There seems no indication that our views are shared by even our allies France, Italy, The Netherlands or Great Britain. From recent events throughout the world it would appear that our attention might well be directed from the relatively unimportant matter of "Argentine compliance" to the infinitely more important areas now being subjected to conquest, aggression and civil war. To the writer it appears much more important that the Zeiss optical works have been taken over by Russian authorities in Germany, that they are operating it as a Soviet property, that Russian directors have been installed, and that German workers have been notified that they are employees of Russia, than the fact that the Zeiss interests in Argentina have not been totally liquidated. What is true of the Zeiss plant is also true of the Krupp works at Magdeburg and others. To the writer it appears much more important that because of fear of Russia and the need for coal from Soviet-dominated Poland, Sweden has been forced to commit to the former, 5 years exports of machinery, motors, and electrical equipment, than the fact that Argentina has not dispossessed some of her native-born citizens. To the writer much less importance should be placed on Argentina's failure to deport a small group of thoroughly unhappy seamen than on the fact that food shortages in Siam and Malaya have forced those areas to appeal to Russia for food. The strong trend toward nationalism in Southeast Asia is surely of more importance in world affairs than any steps recently taken or omitted by the Argentine Government. The recognized fact that Russia is certain to benefit from the Chinese civil war regardless of outcome seems much more important in world affairs than Argentina's failure to seize a few million dollars worth of ex-German assets.
We have accused certain individuals such as Staudt, Freude and Mandl of collaboration with the enemy. We have made a great issue of this and due to Argentina's failure to take what we term as appropriate steps, we almost lose sight of the fact that "the unity of the peoples of America is indivisible". In this connection the writer is forced to recall incidents which came to his attention during a recent tour of duty in the Philippine Islands. On January 2, 1942 when the mighty forces of the Emperor victoriously marched into Manila, the streets were lined with children and adults proudly waving Japanese flags in greetings to the occupying troops. No city or hamlet visited by the writer with the possible exception of Southern Leyte, which was not occupied by the Japanese, was without certain families and individuals who fared exceedingly well at the hands of the invaders. Many homes in Manila were left unmolested by the Japanese and the occupants were permitted to continue to enjoy such luxuries as radios, nice furniture, Oriental rugs and automobiles. To assume that this was due to oversight on the part of the Japanese is stupid. To my certain knowledge many members of the puppet government were returned to the Philippine Congress following the liberation. To assume that collaboration to this extent was due to duress is, at the best, a weak excuse behind which we might hide our realization that the eyes of a billion Asians were turned toward the Philippines as the trial balloon of democracy in the Far East. We have not pressed for the dispossess and deportation of these thousands of persons who gave material aid and assistance to the enemy; it would appear that collaboration is a lesser crime in the Philippines than in Argentina. In this connection it is interesting to note our official policy as expressed by Ambassador McNutt: "We will not permit at any cost the Philippines to be deprived of their sovereignty, of their sovereign right to chart their own international course and to work their own sovereign destiny". It is not necessary to comment on the results of such an official policy toward Argentina. While we may not recognize the government of Georgi Dimitrov of Bulgaria, we should certainly recognize the wisdom of his statement; "There are no cases on record proving it profitable not to recognize reality and existing facts........".

Past mistakes are not corrected by their continuation. Our present "be tough" policy toward Argentina has been tried; it has failed, and day to day events indicate that it will continue to fail. We have already learned that the price of world leadership includes modification of policies consistent with changing world conditions.
Two facts become clearly evident: United States-Argentine relations cannot continue on the basis of the present policy; and, the solidarity of the hemisphere is imperative. Surely, in the light of present world events, the latter is of such great importance that its accomplishment more than justifies modification of a policy formed under entirely different world conditions and circumstances.