Dearest Friend:

Many thanks for your letter of February 10.

The objection raised against my suggestion does not strike me as conclusive. The British Government has reserved itself a right to commandeer gold in the hands of its nationals, but has made it known that in no event will it take possession of foreign gold deposits.

On the other hand, a deposit of gold in the U.S.A. at the free disposal of a foreign owner would enable him to ship gold whenever and wherever his business interests might require. A holding in dollars would not serve his purpose unless the American Government or the Federal Reserve were prepared to sell him gold at any moment at a fixed price.

Although you extend little hope, I am looking forward to hearing the outcome of your conversation with Mr. Morgenthau on the subject.

There is another point I should like to submit to your kind consideration. It comes perhaps more within the scope of your Department, being a matter of trade relations between the U.S.A. and Argentina.

SOFINA would be glad to place with American firms, on behalf of its Argentine subsidiaries, considerable orders for electrical equipment; but it cannot do so in view of the grievances which the Argentine Government appears to be nursing against your Department. Import licenses for coal from the U.S.A. are being refused. Further, no assurance is given that the importation of a
turbine (50,000 kW) to be furnished by the General Electric Company will be granted at the time of delivery, i.e. a year or so hence (the machinery must be manufactured according to specifications). As regards spare parts for American plant already in Argentina, admission has been obtained with great difficulty and only on condition that delivery be effected in Buenos Aires within six weeks from the date of the import permit: a condition which it may often be impossible to fulfil.

Four turbines similar to the one in question have been supplied by the General Electric to the Buenos Aires station, two being in service since two years, the others since five years.

Already, as you are aware, a barter agreement between Mexico and Germany - manufactured goods against oil - threatens to make Mexico a closed preserve for German industry, and especially for electrical equipment. You will admit that this is an unsatisfactory situation from the point of view both of American industry and of international trade, and it would be deplorable if Argentina were to follow Mexico's example.

When Horn was with me in the Argentine three years ago the then Minister of Agriculture, Alvarado, mentioned to him that specialization might possibly offer a solution to the problem of international competition in agricultural produce. The Minister was prepared, for instance, to prohibit if not the growing at least the export of specific varieties of wheat, providing Canada and the U.S.A. similarly refrained from putting other specified varieties on the world market. I wonder whether this avenue to an agreement has been fully explored.

Meanwhile, since the Argentine Government's opposition to American imports appears to be mainly a result of its exchange difficulties, I venture to suggest that a substantial Dollar loan would do much to eliminate its present objections. Would that
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not be more satisfactory than to let Argentina resort to a barter agreement with Germany as a means of reducing her foreign cash remittances in settlement of imports?

The date of my long contemplated trip to the U.S.A. is still uncertain, but I trust it will no longer be much deferred.

With kindest regards to Mrs. Messersmith as well as to yourself both from my wife and from me,

Very cordially yours,

[Signature]