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I

First of all, I wish to again thank you on behalf of my colleagues and myself, for the opportunity you have afforded us to visit your country as your guests, and we wish to thank Senator Molinari for his wholehearted cooperation to make our stay such a pleasant one.

II

Ever since our arrival, we have been greatly impressed by the charm of the Argentine people, and as a result of our travel throughout the country, we have become aware of the vastness of Argentina's natural resources. We have become convinced that while your country's greatness will probably always depend peimarily upon the exportation of your agricultural products, there exists a great opportunity for converting your own raw materials and your own natural resources into manufactured products.

III

We have, however, gained the impression that your country stands at the threshold of the same great period of development which the United States experienced in the comparatively recent past, and we think that, just as our country greatly benefited by the influx of outside private investment capital and the importation of technical skill and 'know how', so will the industrialization and internal development of Argentina be greatly speeded by the encouragement of foreign investment, without thereby interfering in any wise with your country's complete economic and financial independence, especially since such foreign capital can always be repatriated when your country's cash position has reached the point where such properties should be owned by Argentine investors, because this is exactly what happened in our own country.

IV

However, capital is proverbially timid and will go only where there is reasonable assurance of adequate protection. Moreover, investors are invariably influenced much more by the record of the past than by the promises of the future, and they will seek to learn what has happened to old capital, to serve them as a guide for what may be the future experience of theirown investments.

It is a fact that foreign capital has had little cause for complaint over its treatment in Argentina, and the record of the free ingress and egress of capital has in the past been good. However, the new restrictions which have within the last year been placed on the free movement of foreign capital, have been very disturbing to prospective new investors. Insofar as such regulations are merely based on the present temporary shortage of dollar exchange, they are disappointing but not necessarily discouraging, but unless it can be made very clear that these restrictions are intended to be strictly yemporary, and that it is the Government's policy to eliminate these restrictions at the earliest possible moment, I fear the effect on the investment of any new capital will be very serious.

Having

Having no direct or selfish interest in this question, I, as a sincere friend of Argentina, want to urge you to give this problem prompt and earnest attention, especially since the total amount of money involved represents a relatively small sum compared to the very unfavorable impression which the freezing of these particular funds has created in the United States.

It is also my conviction that the sooner the question of the definition of what constitutes "foreign" and what constitutes "Argentine" capital can be cleared up, and the restrictions on the remittance of profits be removed, the quicker will complete confidence in the just treatment of foreign capital employed in Argentina, be restored. This in turn would undoubtedly not only stimulate the influx of new capital, but I believe would prompt many who represent capital already employed here, to expand their productive activities by increasing their investments in existing plants.

V

Whatever may have been the underlying causes that have brought about the present critical shortage of dollars, I realize the necessity for the careful control of the available supply of dollars in the period that lies immediately ahead. However, I cannot emphasize too strongly the fact that an unfortunate impression has been created in the United States by the suddenness of the change in the Government's policy, and by the fact that these necessary restrictions were placed not only on future transactions, but are also being applied to commitments that are already outstanding, based on confirmed import licenses and letters of credit, and for which everyone thought the necessary dollars had already been made available.

May I, as a banker, point out to you how delicate a thing credit really is, and how unfortunate it would be to disturb the magnificent record which your country has for always meeting its obligations promptly. I would therefore like to suggest the advisability of providing for the settlement of already existing commitments with the greatest possible despatch, and, by cooperative efforts between your country and ours, find ways and means to shorten the duration of the present stringent controls on imports which have brought to almost a complete standstill the natural business relations between our countries, and, it seems to me, will have the tendency to considerably delay the carrying out of your own splendid Five Year Plan. In this connection it seems to me, as a banker, that much mutual benefit would result in the handling of such temporary emergencies, if your country saw fit to become a member of the International Bank and the "Fund".

VI

Among business men the impression is widespread that the present poor dollar position of the country is in a large measure due to the operation of I.A.P.I. and due to the abuses which invariably creep in when there is too much concentration of buying power.

I do not feel at all competent to discuss the value of I.A.P.I. to the domestic economy of Argentina, and I know that it would be impractical to entirely eliminate that organization at this time. I do, however, sincerely believe that many of the functions more recently assumed by I.A.P.I. could be far better carried out by private enterprise. In other words, if I.A.P.I. were to confine

itself

itself to the acquisition and marketing of your country's chief agricultural products and raw materials, and would relinquish its controls over the importation of merchandise into your country, many of the things that you need could be purchased at lower prices as a result of the free competition among producers and manufacturers which would thus result. Moreover, I believe that such a reduction in I.A.P.I.'s activities would cure some of the evils of the present system, and if as much of the general trade as possible could at an early date be returned to normal private channels, the reputation of Argentina as one of the remaining bulwarks of free enterprise, would be maintained, and new private investment capital would be much more likely to flow to your country.

It is true, of course, that we in the United States have had some similar organizations during the war emergency, but we have found it advisable to curtail and eliminate the operations of such organizations soon after the war emergency had passed.

VII

There is one of Argentina's recent restrictive decrees in which I frankly have a personal interest and on which I would like to briefly comment. I refer to the decree which provides that all overseas cargo resulting from purchases or sales of Government agencies, must be carried by ships under the Argentine flag.

Since an overwhelming proportion of the country's export and import business is now carried on by Argentime Government organizations, the enforcing of this decree would constitute a real hardship on the American shipping lines, which have at all times attempted to be very cooperative with Argentine interests. and who have no complaints to make about the natural competition of Argentine steamship lines. It would be most unfortunate if these pleasant and natural competitive relations between ships under the Argentine flag and ships under the United States flag would in future be disturbed by the carrying out of such a decree.

VIII

Lastly, I wish to reiterate that the cultivation of closer relationships between your country and ours is a hobby of mine, and I have been devoting a great deal of attention to this work, believing as I do that the strengthening of trade relations between Argentina and the United States is certain to accomplish a great deal towards a sound basis for better political and social relations.

I believe you are approaching this problem in the right way by bringing a business delegation such as ours down here, to better understand the problems involved and to thus be able to cooperate in improving our relationship.

IX

As for the Port of New Orleans and the great Mississippi Valley, I would like to say that I am enthusiastically in favour of the suggestion made by Senator Molinari looking towards the establishment of facilities in the Foreign Trade Zone of our port, which I believe will give Argentina an ideally situated base for the accumulation and distribution of some of your country's

products

products throughout Latin America, and with which new trade can thus be created between our respective countries.

We shall earnestly assist Senator Molinari in bringing his plans to successful fruition, and we will do all we can to increase the imports of Argentine products into the United States. In this way we feel that the commercial and economic relations between our countries will become steadily closer, and that more North American private investment capital is certain to flow into your country.

X

The above memorandum summarizes some of the matters I have been most anxious to discuss with you, and I am leaving it in your hands for whatever use you may care to make of it; I myself will, of course, give no publicity whatever to this memorandum.