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AIR MAIL

SECRET

Buenos Aires, Argentina
September 27, 1946

Dear Will:

I have to refer to my secret letters of September 3, 5, 19, and 25 with regard to the British negotiations with the Argentine.

I have now received a telegram from the Department, No. 1219, September 25, 3:00 P.M. which reached my desk on September 26 and after I had written you my last letter dated September 25. In this telegram the Department and Treasury express concern with respect to the possible conflict between the Anglo-American financial agreement and the clause in the British-Argentine agreement which permits Argentina to utilize accumulated sterling balances to offset the balance of payment deficits with sterling areas. The telegram states that you and John Snyder may wish to discuss this matter personally with Dalton next week, but wish to know beforehand whether the Embassy was informed that such a clause was under consideration or whether the Embassy gave either the British negotiators or the Argentine Government reason to believe that such a clause would be acceptable to us.

I have replied by telegram today, No. 2226, September 27, 11:00 A.M., to the effect that neither I nor anyone in this Embassy discussed such a clause with the British or with the Argentines and that we had no knowledge of the clause until we saw it in the agreement.

In my secret letters mentioned above I have given a full and faithful account of the conversations which I have had with the President and the Foreign Minister of the Argentine concerning the agreement. I did not at

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The Honorable
W. L. Clayton,
Acting Secretary of State,
Washington.

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any time discuss with them the substance of any possible agreement, either with regard to sterling balances, meat prices, or the railways. I merely mentioned to them some of the fundamental reasons why it was desirable that an agreement should be reached in the common interests.

So far as Sir Reginald Leeper, the British Ambassador, is concerned, he kept me informed from time to time of the character of the negotiations and progress, but so far as sterling balances were concerned, the only information I had was that the British Government refused to pay the 2-1/2% interest which the Argentines demanded but might be willing to pay 1/2%. He also gave me an indication that the British were prepared to make some concessions with regard to the Brazilian credit. There was no mention in the conversations which the British Ambassador and I had of such a clause as that which appeared in the agreement and to which reference is made in the telegram as being in possible conflict with our arrangements with the British.

In order that it may be clear that there was no lack of good faith on the part of the British Ambassador here, I wish to state that during the last week of the negotiations which were the crucial week and during which the terms of the agreement were arrived at, I did not see him. I knew he was occupied every day with these intensive conversations with his own people and with the Foreign Minister and I did not consider it my business to ask him what was going on and I can see why, in view of his occupations, he did not inform me. I also had no conversation with the Argentine officials during the week that the arrangements in the agreement were arrived at.

In any event, if any such clause had been discussed with me, I would not have made any comment without seeking instructions from the Department, either to the British or to the Argentine officials.

The British Ambassador has left the City for Córdoba and Mendoza to be absent about ten days to get a little rest, so I cannot discuss the matter with him.

I should perhaps also add that at no time during the British-Argentine negotiations did I make any mention of them to any officials except to the British Ambassador,

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the President of the Argentine, and the Foreign Minister. Sir Wilfrid Eady called on me when he first arrived in Buenos Aires, but I had no conversation with him with regard to the work of the Mission during his stay here. I have faithfully reported in the letters mentioned above all my conversations with respect to this matter.

Whether the British arrived at any arrangement with respect to sterling balances which is in conflict with our own arrangements with the British, I am unable to state; that can be determined through conversations which you and John Snyder will have with Dalton.

I think it should be pointed out that the British were in an exceedingly difficult position. They could not afford to have these negotiations break down. Their situation with respect to sterling balances had been absolutely unyielding. The position of the Argentine was equally unyielding, and from the very out-set Miranda and the Argentine Government had made it clear to the British negotiators and to the British Ambassador that unless there was agreement on the sterling balances, there would be no agreement. If the British, in order to save the agreement, were obliged to make a concession which is in conflict with their arrangements with us, it is too bad. If they did, the responsibility must rest on Sir Wilfrid Eady, and not, I believe, on the British Ambassador here. Sir Wilfrid Eady is, of course, fully familiar with all of the conversations which our Government had with the British on the question of the British credit, etc. The British Ambassador here can hardly be expected to have had the same knowledge.

I should be very unhappy if there is any clash between the agreement arrived at by the Argentines and the British on sterling balances and the arrangements which the British have made with us. It was, as I pointed out, of the most fundamental importance to both the British and ourselves, as well as to the Argentines, that agreement should be reached, and above all, that there should be no breakdown, and I have emphasized in my letters what

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unfortunate repercussions a breakdown would have had for us as well as for the British.

I wish to give this information to supplement my telegram No. 2226 of September 27, 11:00 A.M., as I wish it to be abundantly clear that I had no knowledge of the substance of the agreement reached until I read it in the newspapers.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith