

AIR MAIL

1907

Buenos Aires, Argentina,
September 25, 1946

PERSONAL AND CONFIDENTIAL

Dear Arthur:

I have been wanting to write to you or to Eddie James and Merz ever since I came down here but I have been so much occupied that I have simply not been able to do it. In addition to that, I had to spend a good part of the month of July in bed and, although since the first of August I am able to function fairly normally. I am still obliged to confine my activities to the major aspects of my mission. Twenty-six years ago in Belgium I had an operation for ulcer of the stomach brought about by overwork and overtension during the first World War, and I got along very well with this new outlet of my stomach until the beginning of July when I was taken very seriously ill, but fortunately the situation responded to medical treatment. I had the good fortune to fall into the hands of Dr. Ivanis-sevich, now the Argentine Ambassador to Washington and who is one of the greatest surgeons and diagnosticians in the Argentine, and I shall be eternally grateful to him for, although he was one of the busiest men in Buenos Aires, he came to see me two and three times a day during July. I am still on a very severe diet and have to restrict my activities somewhat, but I think with care I shall be able to function completely normally in the near future. With the task which I had before me here this stomach ailment has made it all the more difficult but, even during July when I was confined to the house, I was able to follow the major aspects of my mission.

I think that you will be interested in some of the background of my coming here and of the situation here. In the first place, I am sure I need not tell you that I

did

The Honorable
Arthur Sulzberger,
New York Times,
New York, New York.

AIR MAIL

- 2 -

did not wish this post, as my wife and I were very happy in Mexico and I was hoping to remain there several years longer. On the morning of April 1 Secretary Byrnes called me on the telephone early in the morning and said that he had spent the previous day (Sunday) with the President going over the state of the world, including the American picture and our inter-American situation, and that they had arrived at the conclusion that it was absolutely imperative that we get our relationships with the Argentine on a sound, collaborative basis if it were possible to do so. As I had no desire to go to the Argentine and had very definite views with regard to the whole problem, we discussed the matter fully over the telephone for an hour and I finally agreed that because of the President's and his urgent request I would agree to undertake the task.

I went to Washington very shortly thereafter in April and the President and Secretary Byrnes and I had a very long talk after which I had other talks with Mr. Byrnes and Spruille Braden and others. I made it entirely clear that I considered this American picture extremely important for us, so far as our security and defense are concerned, and that we could never have real collaboration among the Americas until the Argentine was in the picture. I said that in my opinion there were three objectives which we had to keep in mind in this Argentine situation.

The first was to endeavor to get the Argentine to turn her eyes away somewhat from Europe where they had always been turned in the political and cultural and economic fields and to turn them more to this hemisphere. As you know, the Argentine has, in many respects, been more of a European country than an American country, and this is one of the basic reasons why we have had so much difficulty with the Argentine in inter-American meetings for so many years.

The second objective was to get the Argentine to incorporate herself completely into the inter-American

picture

AIR MAIL

- 3 -

picture and to collaborate more closely with us and with the other American republics. Without this, there is no use thinking of inter-American collaboration because we will never get the full collaboration of the other American republics until the Argentine is more fully in the picture.

The third objective was to get the Argentine to comply with the obligations which she had undertaken through the adhesion of the provisional government to the Acts of Mexico City and her declaration of war by taking adequate action in the field of enemy property, enemy aliens, and Axis schools and institutions.

I said that, while the first two objectives were the major ones, it was obvious that the Argentine would have to take these steps in the field of enemy property, enemy aliens, and Axis schools and institutions before we could hope to make any progress with reference to the first two objectives or to get our relationships on the sound, constructive basis they must be. You will note that the latter is in accord with Secretary Brynes' statement of April 8, which is the last official pronouncement we have made with reference to our policy concerning the Argentine.

One of the things which it was agreed upon on my suggestion was that we would not make any further official statements with regard to the Argentine and that the White House and the Department and I would refrain from statements at home or here which would aggravate the situation. Enough had been said to aggravate the situation and it was unquestionably wise to refrain from such statements and any more notes to the other American republics with regard to the Argentine situation until we had made this endeavor which I was going to make at the President's and Secretary Byrnes' request.

I am sure that you are familiar enough with the

background

AIR MAIL

- 4 -

background to know that if I had not accepted this mission it would not have been possible for Spruille Braden to remain in the Department, for there was so much criticism of his actuation in Washington and elsewhere and the President and Secretary were under tremendous pressures. I took the stand in my conversations in Washington, and Spruille Braden is fully familiar with this, that he could not possibly leave the Department at that time, as to do so would make it appear that we were giving way to outside pressures and this would create for us a loss of prestige and influence in the other American republics and elsewhere, that even we could not risk. Spruille and I have been friends for years and I have much admiration for him and respect for his convictions. There has been no question of any difference of principle.

It was rather imperative that I go here as soon as possible and I, therefore, hurriedly closed out my work in Mexico, where I had, I think, as productive a tour of duty as I have had in my long service, and it was a tremendous wrench for my wife and me to leave there. I arrived here on May 22, and you can conceive of the interest here in putting our relationships on a better basis by the fact that I presented my letters the day following my arrival. About the third day that I was here Perón, as Vice President and President-elect, let it be known to me that he would be glad to have a talk with me before he became President, and we had a three-hour conversation alone. The talk was very encouraging and, while we covered a great deal of ground, we did not go into specific details, but I found that it was possible to talk with him frankly and openly and without reservations, about everything and I mean literally everything. I left that conversation with the impression that he was intelligent and open-minded and that one of his principal handicaps was the fact that he had had so little experience with men and things.

I found from the outset that Perón was very much aware of the fact that he had been brought into the

presidency

AIR MAIL

- 5 -

presidency by the votes of a good part of the labor element in the country. Practically all circles in business, finance, and industry were against him. He himself, I found to my surprise from our own records, as early as ten years ago when he was still a very junior officer in the army had formed a very real interest in social problems. While there is no doubt that Perón used his interest in labor and social problems as campaign propaganda, there is also no doubt that his interest in these social problems is sincere.

As a military man for many years, his associations had been almost entirely with the military and that naturally had its disadvantages for him; the military, no more in the Argentine than in a good many countries, are not gifted with particular understanding of political or economic problems. In addition to this, after he became interested in politics during the years immediately preceding his becoming President his contact was naturally not with some of the more experienced and so-called better elements in the Argentine, for they would have no contact with him. This limited contact was not conducive to broadening his vision and understanding of either external or internal problems.

Without being specific and mentioning any names, the acquaintance which he had with some of our own countrymen and with other foreigners was also unhappy, as it was not with those who are most responsible among us or of these other countries. Naturally, certain elements in various countries sought to contact Perón because they saw him a rising figure and had axes to grind.

Perón, therefore, arrived at the presidency with a very real native intelligence, an extraordinary capacity for work (he is at his desk at 7 in the morning in the Casa Rosada and until 9 in the evening), a very great zeal for social reform, but without the adequate preparation for his task and with the disadvantage that he was obliged to form his government from the elements which had elected him. The result is that he was obliged to form his government from people who, in many cases, are not fitted for their tasks. He showed a desire at the

outset

AIR MAIL

- 6 -

outset of having some of the opposition come into the government, but he received so many rebuffs that he gave up trying. One of the principal handicaps that he has today, and I can assure you no one realizes it more than he, is that he has not been able to bring some of the people into the government who should be there. He has now been President only since early June and he has been loath to make changes earlier, but I think you will find that in the relatively near future there will be some changes in his Cabinet and that they will be for the better. He could not make these changes earlier for that would have created political problems for him too dangerous in the early part of his administration.

As you know, passions ran very high in the pre-electoral period and this is, after all, a Latin country. These passions still remain very deep and strong. From the very outset the opposition to Perón which, as you know, was very strong and polled a very considerable vote in the elections, made mistakes which I am sorry to say they are still making. The first mistake they made was to rebuff all the approaches which were made to get some of the opposition into the government. This situation still persists, but one of the extraordinary things that has happened since Perón has become President is that I am sure that if one would select 100 of the most ardent opponents of Perón then and now and ask them how they feel about the situation, 99 would say that they still do not like Perón but that anything which could replace him would be infinitely worse. There is no doubt that they are right, for it would mean that any government which would succeed Perón would come about through a "palace" revolution and would be either an army dictatorship or a dictatorship of the most irresponsible elements in the Argentine.

One of the things I think I should tell you at the outset is that the general conception that is held in the United States and in some other places that the Argentine is a dictatorship and Perón is a complete dictator is erroneous. This was felt in the Argentine too when he became President, but now the situation is fully

understood

understood here, and certainly I think you will agree that I know something about dictatorships and this is not a dictatorship in the sense that we understand that term. As a matter of fact, one of the curious developments in the Argentine today is that many of those who are opposed to him wish that he were a real dictator, for they have found that some of his basic ideas are constructive.

When Perón assumed the presidency he made an address before the Congress in which he stated to the Congress and to the Argentine people that he would govern constitutionally and that he was determined to do so no matter what the difficulties would be. A good many people here in the Argentine took this with a grain of salt and I am sure it was taken with a good many grains of salt in our own country. I myself was interested to see what the course of developments would be. Developments have shown that he is endeavoring to govern constitutionally, and so far has succeeded in doing so. As a matter of fact, one of the reasons why he is having so much difficulty is because he is endeavoring to govern constitutionally.

Naturally, the men who were elected to the Senate and to the Chamber of Deputies were men who came from groups which supported Perón and many of them are men without adequate preparation for their task. Many of these members of the Congress hold economic and political views far more advanced and radical than those of Perón. When Perón became President it was felt definitely that the Congress would be a purely servile instrument. It has proved to be just the contrary. In many respects the legislative branch of the government is presently much stronger than the executive. In a democratic government in a well-ordered country, this would have many advantages, but presently this situation is not turning out to the advantage of the Argentine.

Perón is not only having difficulty with his majority in the Congress whom he constantly has to hold back, but the minority in the Congress is proving to be more reactionary and difficult than the majority. This

has

AIR MAIL

- 8 -

has been a great source of deception to many of us. This minority was supposed to represent the democratic element in the Argentine and those friendly to collaboration with the United States and in the world picture. The fact is that when the Acts of Mexico City and San Francisco came before the Congress for ratification, the minority presented reservations to both which would have made Argentine adhesion and ratification completely without meaning and would have resulted, if their point of view had prevailed, in it being impossible for the United Nations to continue the Argentine as a member.

Recently the government entered into a contract with the I.T.& T. for the sale of the Unión Telefónica here. It was a very sound contract arrived at on the basis of negotiations with a reasonable price, et cetera. It was approved by the Senate unanimously but, when submitted to the Chamber of Deputies, the radical minority presented a Bill which would provide for the expropriation of all telephone companies, the evaluation to be fixed by the federal and provincial governments, which means that the owners would get nothing. This radical minority project will have no success, of course, in the Congress and the sale will be approved by the Deputies as it was by the Senate, but I am mentioning this to show that this minority, which was supposed to represent democratic and collaborative and sound elements, is taking attitudes for purely political reasons which are utterly unsound and which indicate what could have been expected in the Argentine if the minority had won in the elections.

Since the first conversation which I had with Perón, I have had many conversations with him and we usually have them under circumstances when we can talk at great length and without interruption. This is a very happy circumstance because it means that we have real opportunity to discuss questions of fundamental interest to the two countries, and in a constructive way.

Perón at the outset of the conversations which we have had said that it was his desire to liquidate the unhappy situation existing between our two countries and

to bring

AIR MAIL

- 9 -

to bring our relationships on an entirely normal and collaborative basis. He said that in his mind this was absolutely necessary for the Argentine. He said that he saw the world divided into two camps: one led by Soviet Russia and one by the United States. He said that in his mind the issue was clear and he feared very much that war was inevitable because he believes that Soviet Russia will not give up her expansionist plans and that we and the rest of the world cannot agree, for it would mean slavery and subjection and the destruction of all that we have striven for in the past.

Perón says very frankly that the Argentine made the mistake in the first world war of remaining neutral and in the second world war she came in at the end and then in a manner which was no credit to her. He says that the attitude of the Argentine during the first and second world wars was a great mistake but that it was largely due to the geographical position of the country and to the fact that she had been so apart from many world currents and that the Argentine people were not understanding of the issues. He says that now the Argentine cannot make any more mistakes and that the issues at stake are too great. It is his attitude that the Argentine must assume her position now so that there is no mistake where she stands. It is for this reason that he has given public expression on repeated occasions since he became President to his definite attitude that the Argentine must collaborate more closely in the American picture and with the United States and, as you know, he has publicly stated that if there should be a conflict there is no question but that the Argentine would be with the United States from the outset.

There are those who have sneered when they have heard or read these statements by Perón, and our press at home in some cases has been particularly unhelpful in questioning the good faith of these statements. Concerning the intelligence of President Perón there is no doubt. And while he does not have the understanding of broad world problems that many have, there is no doubt that he has a better understanding of them than most of his predecessors

in the

AIR MAIL

-10 -

in the presidency of the Argentine. There is no doubt that in Perón's heart, as in the hearts of so many Argentines, there are these feelings with regard to the United States but, on the other hand, there is no doubt that he knows where the interests of the Argentine lie and he has had the courage to say so, which is more than one can say for previous governments of the Argentine.

During the conversations following my arrival here and during the six weeks before I was taken ill and confined to the house, Perón wanted to know what would have to be done to bring about a complete normalization of the relations between our two countries. I told him that there were four things which we considered essential in connection with Secretary Byrnes' statement of April 8 on compliance. The first was the ratification of the Acts of Mexico City and San Francisco; the second was adequate action in the field of enemy property; the third was adequate action in the field of enemy aliens; the fourth was adequate action in the field of enemy schools and institutions. He said that this was thoroughly reasonable and that he would bend every effort to get these things done.

In order to make this letter really useful and because the matter is really important, I have to go into some detail.

There was some surprise expressed in the United States and even by some people in the Department of State that the Argentine felt it necessary to submit the Acts of Mexico City and San Francisco to the Congress for ratification. According to the Argentine Constitution and law, any international agreement or understanding has to be submitted to the Congress for ratification. It is true that the provisional government of the Argentine had adhered to the Acts of Mexico City and San Francisco, but at that time there was no Congress. At that time the then Foreign Minister Ameghino made a statement which was published in the Buenos Aires press to the effect that when there was a return to constitutional government and a Congress,

these

AIR MAIL

- 11 -

these Acts would have to be ratified by the Congress. Perhaps I am going a little too far, in even this personal and confidential letter, to tell you that this Embassy pointed out in a telegram to the Department of State at the time that these Acts would eventually require the ratification of the Congress, when there was one. The President, therefore, in submitting the Acts of Mexico City and San Francisco to the Congress was doing exactly what the Constitution and Argentine procedure required and, as he had indicated and given every definite promise that he would carry on constitutionally, he was bound to submit these Acts to the Congress. In our country the Act of San Francisco had to be ratified by the Congress under our procedure but the Acts of Mexico City did not require congressional action because under the war powers of the President he could give our adherence thereto. This is not the case under Argentine procedure.

I have wanted to make this very clear because there are those at home who made it appear--and many statements in the press at home to that effect--that Perón was exercising bad faith in submitting these Acts to the Congress, that it showed duplicity on his part and lack of sincerity, et cetera, for submitting the Acts was eyed as another one of the evidences of bad faith of the Argentine and lack of sincerity and desire to comply with her commitments. As a matter of fact, this was most unjust and most unfair and did a great deal of harm here, because even the opponents of Perón recognized that the Acts required congressional ratification.

The Congress was not very keen to ratify either the Acts of Mexico City or San Francisco very rapidly, not so much because they were not in accord with the Acts, but because they wanted to try to get something out of the President for their votes. They knew that the President was very anxious to get ratification quickly, and this country does not differ from most countries in most respects. Many members of Congress had favorite projects which they wanted to be sure the President would sponsor, or they had people for whom they wanted positions, and they were trying by

hook

AIR MAIL

- 12 -

hook or by crook to force the President to agree to many things which he could not agree to. President Perón told me that he would simply not agree to this procedure for it would put him in the position of sponsoring projects which were not only harmful to the country but which could not be carried through and should not be carried through, and that he would have to make the fight in the Congress on the merits of the Acts themselves. Besides that, we have to keep in mind that many of these members of Congress have really had very little interest in international relationships or knowledge thereof and have this exceedingly nationalistic Argentine attitude, which leads them to believe that the Argentine can live on an island to itself.

I want to assure you that I was in very close touch with the matter of ratification of the two Acts, and I can assure you that if ever a Chief of State put all that he had, and he had to put practically all that he had, into securing congressional action which he felt was necessary in the interests of his country, President Perón had to do that in the matter of ratification. I am not going into any detail, but I do want you to know that this ratification was carried through with a great deal of difficulty, and it was only when the members of Congress found that the President would not bargain that they agreed to consider and vote. The Senate vote was prompt and unanimous. You will recall that after the Senate's favorable vote, the extreme nationalists in the Argentine and the communists behind them started street demonstrations by young people against ratification and went through the streets calling Perón a traitor. In spite of this, both Acts were ratified by the Chamber of Deputies later with only seven votes against but, as I have already pointed out, the opposition members in the Deputies, who are supposed to be such good democrats and friends of ours and of collaboration, abstained from voting and had proposed amendments which would have vitiated Argentine adherence to both the Mexico City and San Francisco Acts. It was a stupid political maneuver on the part of the opposition which all thoughtful people in the Argentine recognized, for they saw in it an indication that little constructive

could

AIR MAIL

- 13 -

could be expected from the opposition, and I am sorry to say that succeeding developments have only confirmed this. In other words, it resolves itself into this: those who, during the elections, accused Perón of not wishing to collaborate in the inter-American system, were the ones who failed to vote when the Acts of Mexico City and San Francisco came up for ratification.

Some of the press despatches from here ^{may} have given the impression that these demonstrations against ratification were impressive. As a matter of fact, the total number of persons who participated in these demonstrations was small, running into hundreds, and they were, as I have said before, young nationalists and communists. The Argentine nationalist is an irreconcilable, but it is fortunate that in the last election this nationalist group was able to gather only 30,000 votes. It is also interesting that this nationalist group voted, for the most part, for Perón in the elections, but now there are definite indications that they are breaking away from him because he has expressed himself so strongly in favor of collaboration in the American system and with us.

One of the things which has caused me much concern is that the press reaction in the United States to ratification was very casual and showed a complete lack of understanding of the importance of the act. As a matter of fact, the ratification of the Acts of Mexico City and San Francisco was the most important act which the Argentine Government has performed in the international field for many years, because it defines her foreign policy as one of collaboration with the other American States and in the American system and with the United States, and it was done by a constitutionally elected Congress. When one considers that the Argentine has had such a poor record with regard to the ratification of inter-American agreements which she herself helped to formulate, it is indeed significant that the Acts of Mexico City, which are in some ways the most significant and far-reaching of the inter-American agreements, have been formally ratified by the Argentine Congress, and with very little public opinion against.

The first

The first of the four things which I said to Perón the Argentine would have to do to bring compliance has, therefore, been carried through.

The second thing which I told Perón would have to be done to normalize their relations with us, and, I was sure the other American republics felt the same way, was adequate action in the field of enemy property. He said that the Argentine Government had no interest whatever in protecting enemy property and that he was in full agreement with such a program and would see that it was carried through in detail. The value of the enemy property in the Argentine is considerable because German firms had entrenched themselves here very strongly and many of them were doing very constructive jobs before the war. I am not going to go into detail in this regard, but I can assure you that the Argentine Government is definitely on the way to carry through a program with respect to enemy property which will mean that in many respects she will have taken more definite action with regard to enemy property than many other American republics except ourselves. The enemy property in the Argentine is more important than that in any of the other American republics and the problem is, therefore, for that very reason more difficult. It is very complicated because some of these German firms have been very important in the economy of the country, and appropriate steps have to be taken to see that they pass into the right kind of hands and continue to function as a part of the economy of the country. Here, as in Mexico, some of these German firms are producing products which are very important in the economy of the country, so that they cannot be destroyed without interfering with the general economy. The important thing is to get them into Argentine hands. I am very close to this matter and follow it every day, and I do not believe that I am being overly optimistic when I say that within the course of another few months it will be definitely shown that the Argentine has taken very adequate action in the field of enemy property. The Foreign Minister is going to make a statement tomorrow in which he will give information as to what they are

doing

AIR MAIL

- 15 -

doing and it is most important that we recognize that what they are doing is in good faith, because I know that it is being done in good faith. If it were not being done in good faith, it would not be done at all. Incidentally, I should tell you that this getting rid of enemy property is no easy task. You know that we have several suits pending in the United States still growing out of the liquidation of enemy property after the first World War. A lot of people who write about these things do not realize what the problems are which are involved in the nationalization or liquidation of enemy property and think that it can be done overnight.

The third thing I said to the President was necessary was adequate action in the field of enemy aliens, and he said that he was in full agreement. He said that the Argentine had no interest in protecting any enemy alien who had committed acts against the Argentine or the United Nations. There is a law here known as the Ley de Residencia, which has existed for many years and which gives extraordinary protection to aliens. Under this law, the courts up to the Supreme Court have made great difficulties for the Government in carrying through this government action against enemy aliens. Every time the government takes some action by executive measure, the courts have said that the action of the government is illegal.

As this protection that the Ley de Residencia gives to aliens is important to our own citizens also and to all foreigners, it creates a problem for us because we cannot do anything or encourage anything which lessens the guarantees which our own citizens have in the Argentine or which other foreigners here may have. The problem here is not only complicated by this Ley de Residencia and by certain decisions of the courts, but by the fact that we have been giving a lot of prominence to certain aliens and to naturalized Argentines, such as Freude and Doerge and Fritz Mandl, when, as a matter of fact, there is no proof of an adequate character which would convince any proper court that they have committed improper acts.

Freude

AIR MAIL

- 16 -

Freude, concerning whom so much has been said, is an old man who has been in the Argentine for many years and he was friendly to Perón when Perón had no friends and he undoubtedly was one of the few men with money in the Argentine who gave Perón money during the electoral campaign, and Perón is grateful. Besides this, Freude is an Argentine citizen and the Argentine can no more throw him out of the country without denaturalizing him than we could throw Kuhn out of our country, and you know what a time we had over that, even though the facts were so clear. In the case of Ludwig Freude, there is only one thing that I can find in our secret files against him, which is to the effect that he took over 40,000 Argentine pesos when the German diplomatic representation left Argentina, but there is no proof whatever that we have to the effect that Freude used this money against us or that he gave money to German agents in the Argentine or that he himself committed improper acts. The fact that the money was turned over to him was more or less natural, because he was one of the leading persons in Argentina of German origin and known as a responsible business man. We have, in my opinion, made a great mistake in the "Blue Book" and our newspaper men have made a mistake in emphasizing this case of Freude when there is no real proof. It was part of the war hysteria.

In the same way, there is a great deal of talk about his son, who was born in the Argentine and who is one of Perón's secretaries. He is an intelligent young man and he acts as a sort of press secretary for Perón. Since I have been in the Argentine, I have followed carefully the activities of young Freude. He has done nothing unfriendly toward us and, on the other hand, he has been behind the scenes very helpful in matters affecting the freedom of the press. He is one of the men close to the President who has consistently and strongly advised that no measures must be taken to restrict the press, and I think you know that the press is as free in the Argentine today as it is in any of the other American republics. Besides this, young Freude is a native-born Argentine and we are serving ourselves and no one any useful purpose in keeping talking about him, when there is nothing really against

him

AIR MAIL

- 17 -

him except what has been written and said. As a matter of fact, when the British-Argentine negotiations with respect to sterling credits, meat prices, and the status of the British railways were coming to a successful conclusion, it was young Freude who suggested to President Perón that the Argentine should make a gift of four or five shiploads of beef to Britain to arrive there for the Christmas season. I think there are very few people here who know anything about that and, of course, it is not being publicized in any way, but I know it to be a fact that it was young Freude who made this suggestion to Perón, who accepted it. I think you will agree that any native-born person in the Argentine, even though he is of German origin, who gives advice to his chief, as young Freude has, with regard to the freedom of the press, and such a gesture as this with respect to meat, can hardly have been or be a nazi--and yet the talk concerning him continues.

So far as Doerge is concerned, he is working for the Central Bank and was one of Schacht's men and is very clever and resourceful in finance matters, and the Argentine Government is using his services just as we used the services in the United States during the war and since of so many German refugees.

The same thing applies to Mandl and I think a great injustice has been done to him. When I was in Austria as Minister, Mandl certainly gave over a million dollars of his own money to support the Heimwehr, which was the principal instrument of the Austrian Government in combating nazi penetration. Mandl left Austria in 1937 because Schuschnigg told him and Prince Starhemberg that their continued presence in Austria would increase the pressure on Austria, and he asked them to get out. He enabled Mandl to get out a good deal of his money at that time so that he would leave. This is one of the few blots on the escutcheon of Schuschnigg, for whom I had such high regard. Mandl came to the Argentine after he left Austria and finally settled here because he felt that there were so many refugees in the United States that he would be able to do better here in the Argentine than in the United States. If he had gone to the United States instead of the

Argentine

AIR MAIL

- 18 -

Argentine he would probably have made a tremendous amount of money during the war and have been considered as making a great contribution to the war. He came here instead and the Argentine army, which has practically no facilities or very inadequate ones for making munitions, tried to use Mandl's capacities in increasing the production of arms, but they did not get very far because equipment was not available. The facts are that Mandl is no more a Nazi than you or I but, because he was a picturesque figure and because he had been associated with Heddy Lamar and was naturally good copy, all sorts of stuff went up from here and we even made the mistake of including him in the "Blue Book". Personally, I do not like Mandl because he is one of those individuals who does not arouse sympathy, but I do know that he was a bulwark against the Nazis in Austria and I know that he had nothing to do with the Germans here in the Argentine and he performed no act which in any way justifies his exclusion from our country or his having been put on the Proclaimed List. I confess that these things are pretty heartbreaking to me, as I have always tried to be just and decent and I do not like to see anybody persecuted, even if he makes good newspaper copy, but in this case it was not only the newspapers, but our own government fell into the error of putting him in the "Blue Book" and on the Proclaimed List. I read a despatch from this Embassy to the Department of State written some time ago and before I came here, in which Mandl is called a warmonger, and it was absolutely unjustified.

I have mentioned a few of these cases concerning which there has been so much publicity and who really do not form a part of the problem of enemy aliens in the Argentine. This publicity with regard to these people complicates our problem and that of the Argentines. There are in the Argentine Germans who did work against us and who were very active, and these must be got rid of. It is immaterial whether they are, under Argentine law, given appropriate prison sentences or whether they are deported. The important thing is that the Argentine take adequate action with regard to those Germans here who really engaged in improper activities during the war, and the Argentine Government is giving

every

AIR MAIL

- 19 -

every indication by the steps which I know it is taking that it will do so, but I know how difficult a task it is for them, because up to now every time they have tried to proceed against the people the Argentine courts have given them protection. The Foreign Minister is going to make a statement tomorrow in which he will, I believe, indicate that irrespective of the courts, et cetera, they are going to proceed immediately against these Germans with reference to whom adequate information is available, and proceed rapidly with the examination and action on all other cases.

I have tried to make it clear to our people at home in the Department that we cannot ask the Argentines to do in the matter of enemy property or aliens what we or other American republics have not done. Some of our people talk as though Argentine compliance meant that every German must be expelled from the Argentine before the Argentine can be considered to have complied. I do not recall what paper, but a responsible paper at home said recently editorially, questioning the good faith of the Argentine Government, that we could consider clearing up the situation of the Argentine when every German firm had been liquidated and every German had been expelled from the country, just as though we would have to expel every German from the United States, and that Brazil and Chile where there are thousands and thousands of them would have to do this. I am merely mentioning this because it shows how unreasonable the attitude of some of our people is when they write and talk about this Argentine situation. The Argentine's behavior during the war was bad, and it raised so many prejudices and so many feelings that now we are confronted by real problems because public opinion at home, at least in a measure, has not been properly informed and the picture has got out of perspective.

The important thing in the matter of enemy property is that it be nationalized, Argentinized or liquidated, and the Argentine Government is going to do this but it can't do it in a day, any more than we or anyone else have done it. In the case of enemy aliens, those who

performed

AIR MAIL

- 20 -

performed improper acts must be given either prison sentences or be deported to Germany, and I am sure this will be done. We cannot say, however, to the Argentine Government, any more than we can say to any other government, that such and such persons must be deported and such and such firms must be liquidated, because that does not fall within our province and would ^{be} arrogating to ourselves an intervention in the affairs of another country which we would not tolerate in our own. One of the things I should like to point out is that the important thing is that adequate relative action be taken by the Argentine Government in the matter of enemy property and aliens and that we cannot lay down a program for the Argentine, as some of us have been trying to do, any more than we can lay down such a program for another country, and we haven't tried to do it for other countries. The Department of State hasn't said very much about it and won't say very much about it, but I happen to know because of my close study of these problems for years that the performance of some of the other countries with regard to enemy property and aliens has been pretty poor. In Uruguay, which we consider so democratic a country and which is so collaborative in the American picture, practically no action has been taken against enemy property and I don't think much will be taken, but I am sure we are not going to make any noise about it and we are certainly not going to let it disturb our relations with Uruguay now or later. I could go into this same problem with respect to every one of the American republics and I am sorry to say that the picture is not good. There are many reasons behind this. In some cases the governments are just not able to take the action which has to be taken. We have got to recognize that the organization of a good many of these governments is much less efficient than we think it is. In some of these countries some of these Germans and German firms had made themselves so persona grata that we are not going to get complete action.

In the Argentine, as I have already said, there is more of this enemy property so it is all the more important that more action be taken here but I think that we have to keep in mind that if the Argentine Government

really

really goes through with adequate acts and does take proper action with respect to enemy property and enemy aliens, we have got to consider the situation liquidated and resume normal relations. Any other attitude would be utterly unreasonable on our part, utterly unrealistic, and utterly unfair. We cannot apply criteria of compliance to one country which we do not apply to others. In the case of the Argentine, I think we have to be somewhat harder because she had such a bad record, but we cannot make normal relations with the Argentine dependent upon their deporting a man like Freude or his son, both of whom are Argentine citizens and against whom there is no proof of improper actions.

I am completely confident that within the course of a few months adequate progress will have been made in the field of enemy property and aliens so as to enable us to liquidate this situation with the Argentine.

The fourth point on which I said to President Perón that there would have to be compliance to meet Secretary Byrnes' statement of April 8 was that of enemy schools and institutions. The British and ourselves have been going into this very thoroughly, and you will be interested to know that, so far as enemy schools and institutions are concerned, the Argentine has gone ahead in a very thorough-going manner and, so far as such schools and institutions are concerned, they have already taken adequate action. If anyone made an objective study of what the American republics have done with regard to enemy schools and institutions, it would be found that the Argentine has already done more than any of the Latin American republics in this field. As a matter of fact, there isn't any doubt that in this field the Argentine Government has already complied adequately with its inter-American commitments.

You will note from the foregoing that of the four things necessary to compliance, the Argentine has already carried through two and there remains only the question of enemy property and aliens, and I am confident we will have a satisfactory solution of these in the near future.

I do not

AIR MAIL

- 22 -

I do not know when we will be in a position of having a formal announcement that the situation is liquidated and that our relations are on a normal basis, but if the Argentine Government makes the progress on enemy property and aliens which I believe it will make, we ought to be able to make such a statement in the course of the next few months. There are certain people at home who think that we cannot put our relations with the Argentine on a normal basis until every enemy firm has been liquidated, until every German has been deported. Such an attitude is thoroughly unrealistic, because if we took that attitude we would not be able to normalize our relationships with the Argentine for years, as under the best circumstances, no matter what good faith there is put in such a program, it takes time to carry through every detail. We haven't done it at home as yet, none of the other American republics has done so as yet. To take this attitude towards the Argentine would mean that we would have to revise our attitude towards every one of the American republics and put them on an equal basis, and we certainly cannot apply any criteria to the Argentine which we do not apply to other countries. My own opinion, for your confidential information, is that when the Argentine Government has made definite progress on its program with respect to enemy property and aliens, we cannot await the completion of the program before we liquidate the whole matter.

There are any number of reasons why it is desirable that we bring our relationships with the Argentine on a normal basis as soon as possible. When I agreed to accept this post, as stated at the outset of this letter, on the urgent request of President Truman and Secretary Byrnes, I did it only because I realized in a fairly full measure what the world situation is we have to deal with and how increasingly important it was that we get our American house in order. I realized out of close contact which I have had and study which I have given to our relations with the other American States that the situation was bad, and not only with respect to the Argentine, but I realized also that in order to get some order into the American picture we had to get this Argentine situation straightened

out

AIR MAIL

- 23 -

out. There was, I think, very full and adequate reason at the time I accepted this post for the preoccupation of the President and Secretary Byrnes and basis for their desire to see if a solution could be found of this Argentine problem. I repeat again that we cannot have anything like proper relationships and cooperation among the American republics unless the Argentine is fully collaborating in that picture.

There has, however, since developed another situation which is almost as important and which makes it just as imperative that we get the Argentine situation straightened out. I will not speak of the Soviet problem in general, because you know it and perhaps are more fully informed than I at this distance. With reference to the American republics, however, this Soviet situation has become much more serious. There is no doubt that the Soviet is going to do everything it can to sabotage inter-American collaboration. The attacks which are being made from Moscow on the defense pact are aimed at raising discord among the American States and raising the old bug-a-boo of United States imperialism. The attacks which have been made by Moscow on the Bill presented to the Congress under which we can implement a defense pact with the other American republics is another indication of the tremendous interest which Moscow is taking and of its sabotaging efforts. These, however, are only part of the picture. The Soviet is active in every one of the American republics and is using, of course, its Diplomatic Missions but, in order not to get into difficulties, they are keeping these Missions in the background as much as possible. It is a definite objective of the Soviet policy to use extreme Left as well as communist elements in most of the other American countries as a front for them and in this, up to now, they have been pretty successful. Though the communist elements in most of the American countries except Chile and Venezuela are not strong, they are exceedingly vocal and active. We must recognize, however, that there is in most of the other American countries a strong extreme Left element which, while having not much use for communism, is not too faraway from it and always inclined to play with it.

In

AIR MAIL

- 24 -

In addition to this, so many of us have a tendency at home to forget that the political and economic and social organization of so many of these other American republics is weak. Most of them are still in their infancy so far as democratic processes are concerned. The organization of the government in most of them is not able to deal with the serious political, economic and social problems which are arising in every country today. Many of these countries are economically in a field for communist effort and penetration.

As things stand today, the Argentine, Colombia and Mexico are the only three countries that we can depend upon to combat communism adequately. Among these the Argentine is in the best position, because if there is one thing that is certain about this country it is that the Government is strongly anti-communistic and wants no truck with Soviet Russia. So far as Colombia is concerned, the position there is relatively strong under the present government. Although Mexico is a Leftist country, the Communist Party there is weak, but I think Mexico can be depended upon to keep down communist penetration. Unfortunately, Alemán, the new President who will be inaugurated in Mexico, is deeply indebted to the communists and to the most extreme Left elements headed by Lombardo Toledano. Alemán has always said that he will know how to deal with Lombardo Toledano but, as a matter of fact, as individuals go Lombardo is a stronger man than Alemán. I think we have to watch the situation there very closely because there isn't the slightest doubt that Lombardo Toledano, although he says he is not a communist, is completely an agent of the Soviet Government. In Cuba the situation is bad and, while the President is not a communist, the communists have gained great power recently because the President is weak, and Marinello and Blas Roca, communist leaders there, hate our guts and are violently active not only in Cuba but in other American countries. Marinello and Blas Roca have recently made trips to other countries of South America to stir up trouble for us and have been favoring the Soviet.

In Chile the situation is complicated by the election

of

AIR MAIL

- 25 -

of Gonzalez Videla, which is almost certain, who is not a communist but who accepted communist support and it is altogether possible that in the next six months communism will be stronger in Chile than before and may even control the government. Chile is one of the countries of the Americas in which communism is the strongest, and although Gonzalez Videla received only about one-third of the votes cast in the recent elections, and the communists are only a part of his vote, it is also possible that he may be influenced more by the communists than other elements. Incidentally, a friend of mine from Chile who knows the situation there said the other day that if there should be a war in which the United States was against Soviet Russia the chances are that we would not get a pound of copper out of Chile because of the strong communist element in the copper mines, et cetera.

In Brazil the situation is very shaky, because Dutra is weak, and Vargas would not hesitate to make a comeback at any time he can see it is possible with the help of the communists. The economic situation in Brazil is far from good and the government has simply not been able to handle the problems.

The situation in Bolivia is delicate, and the Bolivian communists and extreme left elements are in close touch with those in Chile.

What we have to recognize is that if another war should come, which we all wish to avoid if possible, the United States and Soviet Russia would be on opposite sides. In this last war it was relatively easy to get all of the American republics on our side, but in some of them it was not too easy. In the next war, if there will be one, it is not a question as to what governments may wish to do as to taking sides in the other American republics, but of what governments may be able to do, and the situation in so many of these countries is so uncertain that the interesting thing is that, should there be a war, this time the Argentine instead of coming in last, and rather ignominiously would be the first to come in on our side.

I cannot

AIR MAIL

- 26 -

I cannot expand on this idea further but it is absolutely essential now because of the communist menace and penetration that we get our American house, including our relations with the Argentine, in order. When our relations with the Argentine are on a normal and collaborative basis, we will find the Argentine one of the most helpful countries in the other Americas in combatting communist penetration and, in my opinion, the time has come when the American republics will have to think very seriously of what steps they can take to prevent further communist penetration.

In addition to these two primary reasons for getting our relationships with the Argentine on a sound basis, there is now a third one, which from the point of view of the economic problems of our country is most important. As you know, the relationships between the British and the Argentines have always been quite good and the British played up to the Argentines during the war to such a degree that they made it impossible for certain steps to be taken, or rather to be effective, which would have brought the Argentine into line sooner. In other words, the British not only did not play entirely fair with us in this Argentine picture during the war, except on the surface, but they also did not do the Argentine a very good service for now the Argentine is in this mess with us and the other American republics which has to be cleared up and which is being cleared up.

The British, however, have learned a bitter lesson recently through the British-Argentine negotiations on sterling credits, meat prices, and the status of the railways. Fortunately, the negotiations came out satisfactorily although it looked as though they would break down completely. A break-down would have been unfortunate because it would have led to recriminations and retaliations, by both the British and the Argentines, in the economic field and the result would have been that the whole of the Argentine, whether they be for or against the government, would have turned against foreign interests, and at this time when the Argentine Government is considering a program of recuperation of public utilities it

would

AIR MAIL

- 27 -

would have been a very bad thing for the British and ourselves, for the resentment against foreign interests would have become tremendous.

Now that the British have put their house in order again, at least in a measure, with the Argentines, the old status quo between Britain and the Argentine is fairly well reestablished but we are still in the position of having our relations with the Argentine on a strained basis. The Argentine is in many respects the most powerful and richest of the other American countries and if we do not get our relations with the Argentine on a good basis and a completely collaborative basis soon, our commercial and economic interests in the Argentine will suffer greatly and the British will derive undue advantage therefrom. There is plenty of room for British and United States initiative in the commercial and economic field in the Argentine, but it is not a good thing for any of us that any one country should have too strong an advantage.

I have not hesitated to go into the foregoing three points at this length because since I came here you will readily appreciate the importance of our straightening out our problem with the Argentine has so tremendously increased because of the two additional factors which have developed, and which I have set forth at some length but in still too cursory a fashion.

Then there remains the question of clearing up our relationships with the Argentine so that we can proceed with the Rio de Janeiro meeting and the defense pact. I am one of those who believe that we have to hold this meeting as soon as it properly can be held and, of course, it should not be held until the Argentine can be there, because a defense pact in the Americas without the Argentine loses from the outset a very considerable part of its value. We could not sit down to such a meeting without the Argentine under the present circumstances, but it is quite obvious that we cannot have inter-American collaboration really effective until the Argentine is fully collaborating in the American picture. You will have noticed

from

AIR MAIL

- 28 -

from this letter that considerable progress has already been made in the Argentine meeting her obligations, and now there is every prospect, I believe, of getting the Argentine into the Rio meeting under proper conditions in the relatively near future. For us, therefore, to try to have the meeting without her would be folly and would be one of the worst political blunders we could make. As a matter of fact, the other American republics would not be with us for the most part in holding a meeting on the defense pact without the Argentine, and especially now because they know of the changes which have taken place and are taking place in the Argentine situation.

It is my sincere hope, therefore, that we can clear up our situation with the Argentine within the next few months by her doing the appropriate things still to be done in the field of enemy property and aliens, and I think the meeting can be held early in 1947. I do not believe it can be held earlier, for any number of reasons, even though we had full Argentine compliance with her commitments before then.

There has been a certain amount of criticism of this defense pact in some quarters, but it is interesting to note that the criticism comes from Moscow and from extreme Left elements and organizations in the United States. I am convinced that the Army and Navy and Air Force are entirely correct in their attitude that this defense pact is absolutely essential for the security of this hemisphere and as a major element in the world security picture. If we can get uniformity of training, organization and equipment of the armed forces in the Americas and if we can get a sort of General Staff of the armed forces of the Americas, we will do one of the most effective things that can be done for the defense of this hemisphere and for our own security.

There are, I believe, some in the Department of State who are so much skeptical about this defense pact because they do not think we should supply arms to this

or that

or that country, under any circumstances. I am thoroughly understanding of these reservations but we have to recognize that if we do not have the defense pact, these countries will get arms just the same from Europe, and there are already indications that certain countries in Europe are ready to supply arms to the American countries. The recent action of the Swedes in getting out of their gentleman's agreement not to ship arms presently to Argentina is an indication. You can imagine that the Skoda Works and the Belgian and the French and other manufacturers of arms will be willing to ship arms for they are looking for markets in most of these countries, and if they have to deal with venal governments we know what the practices in the past have been and we would have a repetition of the same. If we have a defense pact, it is the best possible way of controlling armaments and of getting order into the purchase of armaments, both as to price and quantity. So far as use is concerned, a defense pact must provide for the security of the individual States of the Americas against attack within the hemisphere as well as without, and that does away with so many of the reservations which I believe some people in the Department of State have concerning the defense pact.

I get a little discouraged at times because some of these problems are not envisaged in their complete form and perspective. So far as the defense pact is concerned, I think we must go ahead with it as soon as we can, and a meeting can be held just as soon as we have straightened out our situation with the Argentine. I repeat that it would be more than useless and a complete political blunder to try and hold it before the Argentine can be there.

In my actuation as Chief of Mission here I have been working on the basis that our primary objective in our relations with the Argentine is to endeavor to get her to look less to Europe and more to the Americas, and, second, to really incorporate herself into the American picture. By that I do not mean that the Argentine should not maintain those relations with Europe

that

AIR MAIL

- 30 -

that she has had, but that she should become more an American rather than a half-European country. I mention this because I should tell you that the most interesting thing that has happened in the last months is that this major objective has already been reached, for the attitude of the Argentine Government now is completely changed. There may be people who do not like to admit it, but it is recognized here, by people opposed to the government as well as in it, that since the inauguration of President Perón, for the first time the Argentine has defined her policy as one of the closest collaboration with the United States and with the other countries of this hemisphere. The present government has given the most concrete expression to its belief that its future lies in this hemisphere. Here again this attitude of the present government of the Argentine has been criticized on the basis that it is not one taken in good faith but simply because the Argentine wants military material from the United States. I do not know why some people get certain ideas into their head when there is really no adequate basis. Of course the Argentine army and navy want modern equipment. They have seen the other republics of the Americas getting modern equipment. Any self-respecting armed force of a country wants modern equipment, and anyone who knows the Argentine knows that her military equipment today is very far behind that of Brazil and some of the other American republics, in quality. I have been here four months and I have had close contact with the highest officials of the Argentine Government as well as of the armed forces, and I have not seen any indications that they want very much in the way of arms and what I think they want is very modest and certainly does not imply any aggressive attitude towards anyone. It is largely a question of self-respect on the part of the armed forces here; so far as the production of arms in the Argentine is concerned, it is primitive and not really on the level of that in Mexico, for example. The Argentines feel--and there is certain reason for it--that there should be a reasonable production of arms on a standardized basis in the Argentine as well as in Brazil and Mexico so that, in case we do get into

trouble

AIR MAIL

- 31 -

trouble in this hemisphere, these countries will not be entirely dependent for certain things on us which it may be difficult to get to them and which they may need for protection against an extra-hemisphere enemy. I will not labor this point but there is so much that could be said and should be said with respect to it. So much that has been written on this point has been hysterical and without basis, and one thing I long to see is more constructive reporting for our press from all of the American countries.

No one who has never lived in Buenos Aires realizes the remoteness of this place. This is the second time I have lived here and I can assure you that one has the sense of being very far away. As a matter of fact, the Argentine is one of the few countries of the world which has not suffered the trials and tribulations which the rest of us have gone through. She has to an extraordinary degree been left untouched by world events and a consequent extraordinary mentality has developed here, which is greatly to the disadvantage of the country. In my opinion, President Perón has done a very great service to the Argentine, for he is the first President of the country in decades who has in any way endeavored to emphasize to the Argentine people the necessity for their living in this hemisphere, not only physically but spiritually. I do not mean to say by the foregoing that I have had anything to do with this change in the Argentine situation. There are many who think that I have had a good deal to do with it but I have no illusions in this respect; I know the limitations to the work of a single individual. One of the most important public men of Peru was here the other day and said that in all of the other Latin American republics it was recognized that no one was more responsible for this change in the Argentine than I. I think he is wrong because, while I realize that individuals by working in the right way can do a good deal, I know that so important a change has to have something more behind it than the President of a country and a foreign Ambassador.

The real reason for the change in the Argentine which is taking place is that the repercussions of the

first

first and second World Wars and of world events are just reaching this country and it is waking up to the facts of life. The recent attitudes of Soviet Russia have had as much to do with the waking up of the Argentines as any one factor. The important thing is that the change has taken place--not completely of course--but it is gathering momentum. It isn't too much to say that during the last four months a complete change has taken place in the orientation and definition of Argentine foreign policy and it has been, according to our way of thinking, in the right direction. Once we have adequate performance in the field of enemy property and aliens, even though the program may not be completely carried through for that will take time under the best circumstances, the last obstacle to normal relations and complete collaboration will be gone and I think we will enter into a new phase of inter-American relationships. By this I do not mean to say that the Argentine will always be sweetness and light in inter-American conferences. That would be too much to expect or hope for. I think, however, we will have in the future a more constructive attitude on the part of the Argentine.

There are those who would have been ready to throw inter-American collaboration out of the window before San Francisco, as a sop to the Russians, as though throwing the fruits of 120 years of collaboration out of the window would have any influence on the Soviet. Happily this has not been done. Pan-American collaboration is not a bloc, as the Russians are endeavoring to make it appear. As a matter of fact, it is the one workable arrangement that we have so far found. I am one of those who believe that this inter-American collaboration is one of the most essential things for us to strive for in these days--not only for our own security and peace in this hemisphere, but also because this collaboration among the American States can be one of the strongest bulwarks of the United Nations Organization for peace and security. I am happy to say that the British, for the first time in years, have an Ambassador here, Sir Reginald Leeper, who is really a very far-seeing, intelligent and understanding

man

AIR MAIL

- 35 -

man and he has a thorough understanding of this problem. The British have not always been helpful through their Chiefs of Mission, or even through the Foreign Office in London, in this American picture. They have looked with a rather jaundiced eye on the inter-American system. I am inclined to think that in the future Britain, instead of placing stumbling-blocks in the way of inter-American collaboration, will foster it in proper ways. I think Mr. Bevin is very understanding of this situation and of the importance of collaboration with us in a realistic way and not merely lip service, and I venture to say that I am inclined to think that he is the first Foreign Minister Britain has had for some time who has had understanding of the importance of these Latin American countries and of inter-American collaboration. I am very happy in one respect, because I see closer collaboration between the British and ourselves in this whole picture.

The situation in this country internally is very confused. It is a country which, from the economic point of view, has been living in 1910. That is why so many of the things which have to be done here seem to be so radical and why they strike some of the people here so strongly. Actually, the government has taken no steps in the economic field which, for the long-range, should really cause concern but I am somewhat fearful that the Congress, which is really made up of some reactionary people, may do some foolish things in the economic field which will do harm to the Argentine economy for years to come.

The tendency here towards nationalization is much too strong in the industrial field, but this is a reaction to the strong controlling foreign influence there has always been in the Argentine. The British and ourselves and some others have had rather a field day for years and have not taken time by the forelock and had the prudence to associate more Argentines and Argentine capital with us.

Even though the Argentine has made very considerable material progress and has considerable material resources, it cannot carry through properly and without danger to her economy the program of nationalization

which

which some of the people here have in mind. It is encouraging, however, that the President has very clear ideas on this subject and realizes the dangers in some of these objectives but, as I have mentioned earlier in this letter, he is not a dictator in the sense that he is so commonly assumed to be and his control over the Congress is inadequate. He is doing the best he can and I have seen him at the end of the day a discouraged man.

So far as public utilities are concerned, the tendency towards nationalization in all of the other American republics is so definite that I think every thoughtful person recognizes that it is going forward. The important thing is that it should go forward wisely. If what has happened in the Argentine so far is indicative of what she will do in this field, we have no reason for preoccupation, for the telephone deal was a good one and an equitable one, and the bases which have been laid for the British railways passing into control of a mixed company are good. There is going to be a lot of trouble, however, in finally settling this question of the British railways, because the British will be inclined to set the capital value at too high a figure. The same applies to some of our American utilities and British utilities. I can recall here in the Argentine when I was in this country seventeen years ago how American companies were bidding against each other for Argentine power companies and the British were bidding against us, with the result that prices were paid for some of the companies which were three or four times the value thereof. If there is recuperation of some of these public utilities, it must be expected that the Argentine Government will not pay the inflated value which some of these companies have put on these properties as the result of the altogether exaggerated prices they paid.

The encouraging thing, however, is that President Perón and the Argentine Government have declared that in the acquisition of public utilities the telephone deal is to be a precedent. If it will be a precedent here, it is reassuring and it will set a good example

in all

in all of the other American countries. The interesting thing about it is that from this Argentine Government, which was supposed to be so radical and anti-foreign, and anti-American, a telephone deal was put through which is, in my opinion, in every respect equitable, and without any pressure of any kind.

The Argentine Government has made a mistake in putting into effect export controls and in the Government intervening too much in matters affecting private business. On the other hand, it is the declared intention of the government to maintain private initiative and to stimulate it, and I think that is their intention. These export control measures they have taken have been taken out of a desire to have the Government take advantage of certain world commodity situations in which the Argentine presently plays so important a part. But the government has made the mistake of forgetting that the present advantageous position of the Argentine is transitory. These government controls of exports will fall of their own weight just as soon as more normal conditions of supply and demand prevail in the world picture and I am, therefore, not too deeply preoccupied as to the long-range situation.

There are strong influences in the Argentine Government with which the President is in sympathy for the maintenance of private initiative in industry in every field except that of public utilities. My own feeling is that we have to watch developments a bit to see how things go, but I am presently of the opinion that there is no reason why private initiative in the United States should not associate itself with private initiative here in sound industry, and I think we should do it for it is only by strengthening the industrial and agricultural economies of these American countries that we will build the basis on which the fullest collaboration between the American States can be made effective.

Naturally, a lot of our people and of the British and other foreigners are very much preoccupied, and I think they have some reason for preoccupation but not

in the

AIR MAIL

- 36 -

in the measure that I presently see. Our people really have had a field day in the field of banking, insurance, and a lot of other things, and the Argentines feel that they are grown up and that they should have a greater participation in some of these things. It is exactly the same phase that we went through some forty years ago. I can recall when the British and the French and the Swiss insurance companies practically got all the cream of reinsurance and certain other insurance business in the United States, but when the American companies felt that they had grown up they saw to it that they got some of this business, and properly so, and now there is plenty of business for everyone. No one was really hurt. That is why I am not so disturbed about this insurance law which has been passed in the Argentine, for I think our people are yelling prematurely.

There isn't any question that the Argentine by the egotistic attitude which it has assumed with respect to certain commodities is doing herself a great deal of damage. When normal times come, however, some of the people who are obliged to pay the exorbitant prices which they are required to pay for Argentine commodities will not forget it and the Argentine may lose some of her markets.

Having followed the Argentine situation for at least twenty years, and at times very closely, I am one of those who believe that the Argentine will not really grow up until she has gone through some of the tribulations and trials which we and England and some of the other countries of the world have gone through. It is too bad that the Argentine has been so untouched in the past by world events, because it means that in her political and economic thinking she did not keep pace with the rest of the world in the degree that a country of her resources should. This means that a lot of things are happening at once; it means that a lot of things will happen which are not good, and some will be good; it means that the Argentine economy may suffer a good deal before a stable basis is reached but, on the whole, she will be the better for the trials she will have gone through.

I am

AIR MAIL

- 37 -

I am tempted to go more into these economic phases, but this letter is already too long and there are a few more matters which I wish to cover.

First, I want to make it clear that I have not wished to paint too favorable a picture of President Ferón, but I feel that one of the first duties we have in this business I am in, if we are to do our duty to our country, is to be objective. I realize his weaknesses and his deficiencies, but I also have learned to know his good qualities, and it is my considered opinion that his good qualities far outweigh his deficiencies. I think it is important for us to realize that he is not the dictator he is supposed to be for I have some experience in matters of this kind. I know that he is endeavoring to govern constitutionally and in strict accord with the Constitution and leans over backward to do so, and that there are all sorts of pressures on him to act otherwise. He is not the radical in the economic field which he is supposed to be. Once in a while he makes a very foolish mistake, which can readily be seized upon and ridiculed. This grows out of his lack of certain economic background, like when he said that he hoped before he left the presidency the air above the Argentine would be free, et cetera. What he meant to say was that he was definitely set on a program of "recuperation" of public utilities in the Argentine, but he expressed himself with Latin exuberance. He is a firm believer in social justice and he believes that there is a great deal of social injustice in the Argentine, and in that he is 100 per cent right.

You know that I am not an ultra-conservative nor a radical. I am pretty much of a middle-of-the-roader, and I believe it is necessary for all of us to live in our time. When I left Buenos Aires in 1929, after a two-year stay here as Consul General, to go to Germany, I said to my wife on the voyage over that the Argentine was a country which would have to have some rude awakenings

for

AIR MAIL

- 38 -

for the social currents which were affecting us in almost all of the other countries had practically left this country still untouched, and social injustices were so great that my hope then was that they could be eventually corrected without violence. During the sixteen years that elapsed little happened here to bring the Argentine into the world picture. People come here and they see this big city which presents a wonderful facade and they do not realize that in many ways the thinking of the people here is completely provincial.

Whether Perón will be able to carry through in an adequate way a program of social reform in this country, I am not able to say, but one thing is certain, that is that he has started to do it, and it was time it was started. Whether he will be able to carry it through wisely, it is still too early to say. One thing is certain, however, and that is whether he carries through the program or someone else, a program will be carried forward. The Argentine cannot continue to live like an island in the world in which we live.

Another matter which I should mention to you is one which I mentioned in passing, I believe, in this letter. You know that passions in this country, as in most Latin countries, are high. These passions have not died down since the election. It is significant, though, that some of the most violent opponents of Perón, especially in the business and in the financial world, are now saying that what they fear is not that Perón is going to stay in but that some of his more violent followers may get rid of him through a "palace" revolution, and that anything that could come would be sure to be more dangerous and unstable. It is very interesting to some one who is close to the situation here to notice this change. And even the opponents of Perón are beginning to realize, for example, that he is more reasonable than the Congress. As an example, the Senate passed without much discussion several weeks ago a Bill giving the government the authority to nationalize the cement industry. The measure was not aimed at foreign capital, because of the 11 cement

plants

AIR MAIL

- 39 -

plants in the Argentine, 9 are owned by Argentines and the other two by an American company. The whole idea of these people behind this Bill was that by nationalizing the cement industry they could bring down the cost of cement and do away with the black market. The inevitable result, of course, of such nationalization would have been to increase the cost of cement and to create all sorts of difficulty. When Perón learned of this measure, he called in the more influential members of the Senate and explained to them that, while they were interested in nationalizing certain public utilities, it would be ridiculous to nationalize an industry such as the cement industry. I mention this to show you that so many of these economic measures originate in the Congress but in the press Perón is held responsible for them when, in reality, I know he is doing what he can to conserve private industry and initiative.

The Argentine is a rich country and is potentially, with Mexico and Brazil, the most important country in the other Americas. Whatever happens in this country we cannot disregard either from the political, economic, defense, or social point of view. I have known of the importance of the Argentine in the American system for years and, because I have felt it necessary for our security and interests that this situation be liquidated, I have, as I already said in this letter, been willing to undertake this task. For that reason, I have been willing to continue when some of lesser spirit with this stomach ailment which I have would have taken the plane for Mayo's or for the Naval Hospital for adequate treatment and left. The Lord has been good and kind and I am going to get over this stomach trouble, although I am disobeying my doctor's orders except to the extent of following strictly the diet and medical treatment. There is nothing heroic in my makeup and I am not trying to pat myself on the back. I am only trying to tell you that, so far as I am concerned, I am doing this job here at considerable personal risk to myself only because I think it is so important for us.

The change in the situation here in the last months

has

AIR MAIL

- 40 -

has been extraordinary. I believe in another few months we will have it straightened out. In the world in which we live, and for every possible reason, it is what we must strive for. That is why I think whatever we do on the American picture has to be constructive.

I see Kluckhohn from time to time and he is, as you know, an intelligent and good correspondent. We do not always see things the same way, but there is always room for honest difference of opinion.

I think I should tell you that one of the things that concerns me is that some of the comment in the press at home has not been helpful, and certainly not constructive. I realize that there is this strong feeling with regard to the attitude of the Argentine during the war and it was justified in every way because her behavior was terrible. But the war is over now, and after all the great majority of the Argentine people had their sympathies with the Allies and with us in the war. When we have stopped fighting our enemies on the battlefield and are beginning to help them, we certainly cannot keep on fighting a country like the Argentine, which must be our friend in her interest and in ours. There are some people who continue to write from here and at home as though our difficulties with the Argentine have to be perpetuated, and naturally some of the comment at home with reference to continued bad faith and so on of the Argentine, and which is not justified since Perón assumed the presidency, makes our whole task here more difficult and makes the task of the Argentine Government more difficult.

I am sorry to say that in this respect the TIMES has not been completely helpful. In a number of editorials commenting on developments in the Argentine since Perón took over, there is constantly this reminder of bad faith in the past and setting up reservations with regard to the future and questioning the good faith in which certain constructive acts of the Argentine have been taken. I am sorry to say that I do not have before

me

AIR MAIL

- 41 -

me several of these editorials which I would like to comment on which appeared in the TIMES, but I have one before me which apparently appeared in the September 22 issue of the TIMES, and which is repeated in a UP despatch from New York dated September 22. The first paragraph of this UP despatch reads as follows:

"NEW YORK TIMES COMMENTS ON NEW
CONSTITUTION OF BRAZIL

"While President Perón in the Argentine is converting the country into a State ruled by a single man, Brazil has adopted a Constitution which is extremely liberal in many respects and in which there is decentralization within the government, restoration of the basic structure of the law, after a long period in which there has been government by decrees."

There then follows in this editorial in the TIMES further analysis of the Brazilian Constitution. I have no intention to question what is said in the editorial concerning the Brazilian Constitution and I think it is a constructive thing for the "New York Times" to comment on such developments of importance in the other American republics. It is, however, I think you will agree, utterly unnecessary and also undesirable to start the editorial in the TIMES on the new Brazilian Constitution with this reference to the Argentine and to President Perón, and especially when the statement is not correct. President Perón is not converting the Argentine into a country governed by a single man. If he had aspirations in that sense, which I am inclined to doubt, he certainly has not been able to carry them through. I know this because I am close to things here.

The editorial would leave the impression that the Argentine is a dictatorship of an individual and that Brazil now has a very liberal Constitution. As a matter of fact, the Argentine Constitution is in many respects as liberal as the new Brazilian Constitution, and the first thing that President Perón did when he assumed the presidency was to make it clear that he would govern constitutionally,

and he

AIR MAIL

- 42 -

and he has certainly done so during the months that he has been in the presidency, and I think that if he had other intentions he would have great difficulty in carrying them through. The point which I wish to make is that we have to recognize that since Perón took office the government has proceeded constitutionally and has kept faith with us and is trying sincerely to liquidate the problems which are still interfering with the full normalization of relations. Besides that he had made declarations with regard to the foreign policy of the Argentine which are most encouraging and there is no reason to question the good faith thereof.

The editorial goes on to say that the Brazilian Government is returning to constitutional government after a long period of government by decree, and disregards the fact that constitutional government was restored in the Argentine in June when Perón was inaugurated.

One thing I am sure of and that is that Charley Merz did not write that editorial, and I do not know who wrote it, but it may have been Foster Hailey. I think Hailey has these ideas of the Argentine because he spent some time in Montevideo and saw things from there when they were bad here. I wish that if it is Hailey who is writing these editorials you would have him make a trip down here, as I think it would really be helpful and constructive. He could form his own conclusions from his observation here of things as they are.

I have only mentioned the matter of this particular editorial because it was very much noted here in official circles and, as you know, anything that the TIMES says is taken note of. The Argentines felt that there was a completely unnecessary slap at the Argentine in the introduction to the editorial which naturally got for the reader more attention than anything else in the editorial.

I am one of those who believe that the editorial comment in our newspapers is most important not only at home but abroad, and there are in my opinion two newspapers in the United States whose editorial comment carries real

weight

1807
AIR MAIL

- 43 -

weight in every part of our country and abroad. They are the "New York Times" and the "Washington Post". I know that you will appreciate the spirit in which I have made this observation concerning the editorial.

I know that this is a very long letter, but it is because I have felt that you have this interest in our broad problems and your associates have that interest that I have permitted myself to write at such length, and even though this letter is so long, it has very inadequately covered the situation. If you wish, I would be very glad to have you show this letter to Eddie James and Charley Merz or any associates in the TIMES, for their personal and confidential background. I have written you with complete frankness as I know I could do so in this personal letter.

I wish that I could think of you and Mrs. Sulzberger making a trip down here, but, under the best circumstances, the trip by air is still a bit uncomfortable although the services are rapidly improving. It would give my wife and me a great deal of pleasure if we could think of you making a trip down here some time, and, if you do, you may be sure that we would be very happy to have you as our guests in the Embassy.

It is not likely that I will be able to look forward to the pleasure of seeing you until some time early next year, but as soon as we get things straightened out in this picture, it will be imperative for me to spend a few months at home with my wife, for we both need some rest and have a very great desire to enjoy some of the amenities of life which we have missed in recent years, as others have.

Please give my very best wishes to Mrs. Sulzberger, in which Mrs. Messersmith joins, and I would appreciate very much your giving my very good wishes to Eddie James and Charley Merz and to Mrs. McCormick.

Cordially and faithfully yours,