

1815  
VIA AIR MAIL COURIER

STRICTLY PERSONAL  
NOT FOR THE FILES

Buenos Aires, Argentina.  
October 31, 1946.

Dear Will:

As you know, the Argentine is not a member of the Food Board and has so far not shown any interest in becoming a member. I think it is a mistake on the part of the Argentine Government, as one of the principal food producers, to take this attitude. My own attitude has been, up to now, that we should not press the Argentine too much as I doubted whether it would be very much use. They are following some rather egotistic practices here in this field of foodstuffs which I think are going to do them a great deal of harm in the not too distant future, and they are building up a lot of ill will in various parts of the world.

I have been wondering how the Department really felt about this matter. If you believe that the presence of the Argentine on the Food Board would be really helpful and that a useful purpose would be served by having her there, I would be very glad to discuss the matter myself with President Perón in an informal way and I believe that if we really want them there I may be able to convince him that the Argentine should adhere and participate actively.

Similarly the Argentine is not a member of the World Bank or of the Monetary Fund. I am sorry to say I do not know as much about this situation as I should. When I mentioned to the Minister of Foreign Relations one day in an incidental manner that it was too bad that they were not members, he mumbled something that I understood to be to the effect that they had not been invited. The matter was not particularly pertinent to what we were discussing, so I did not continue the matter.

I would

The Honorable

W. L. Clayton,

Undersecretary of State for Economic Affairs,  
Washington, D. C.

I would appreciate your advising me what the situation is with regard to the World Bank and Monetary Fund. Have we or have we not asked the Argentine to participate? Do we or do we not want her to come in? If she has not been invited, is it because of us or because of a general attitude of the participating countries with respect to Argentine participation? I am not adequately informed to have any definite views on the matter, but it has seemed to me that it is rather a pity that the Argentine and Soviet Russia seem to be the only two countries of importance that I know of that are not members. Certainly the fact that the Argentine is in that category with the Russians has no significance so far as any possible collaboration between the Russians and the Argentines in this matter is concerned, because I am sure that the Argentine not being a member, so far as she is concerned, has nothing whatever to do with Russia not being a member.

It is, of course, possible that because of the fact that we have not yet been able to completely normalize our relations with the Argentine, the Department may have taken the attitude that we were not interested in the Argentine participating in the World Bank and Monetary Fund until that has taken place. I am inclined to doubt, however, whether that is a Departmental attitude, but I do not have adequate information on the point. In any event, I do not see how the fact that we have not completely normalized our relations with the Argentine should in any way influence our attitude with respect to the Argentine being in the Food Board or in the World Bank and Monetary Fund. Of course, so far as the Food Board is concerned, we have let the Argentine know that we would like her to be in, but she has seen fit not to do anything about it so far.

There is no doubt that the Argentine is in a very favorable financial position these days. The Spanish trade agreement which has just been signed here and which is another one of these bilateral arrangements which so many countries seem to be willing to make with the Argentine and which the Argentine is prepared to make, provides for, I understand, a credit of 400,000,000 pesos by the Argentine to Spain, the purpose being to finance certain imports of Spain from the Argentine. Spain is pretty much in need of such credits, I understand. There have been several other such credits extended by the Argentine and I think there may be a few more.

The Argentines



The Argentines are feeling their oats very much. The Government is in a favorable financial position but I am one of those who doubt that it may last too long. In the first place the program of the Government involves considerable expenditures for industrial and other properties, as well as for road construction and other useful public works. They are getting these high prices for their agricultural products and the Government is taking a good part of it instead of its going to the producer. While there are some, I am sure, in the Argentine Government who know that this is rather a fleeting position, there are others who are not so wise and who seem to think that the resources of the country are unlimited. It may be that this is one of the reasons why the Argentine has been so little interested up to now in participating in the World Bank and Monetary Fund.

I wrote a top secret despatch to the Department, No. 1102, of October 28, 1946, on the importance of the United States maintaining its political and economic and cultural position in the Argentine and some observations in connection therewith. I sent you a copy of this despatch, together with a copy of a secret letter to the Secretary dated October 30, in which I commented on the despatch and certain aspects of the Argentine situation. I hope you will have been able to read both the letter to the Secretary and the despatch.

As you know, I have had two tours of duty in the Argentine - one in 1928, 1929 and 1930, and now five months here. I have, I believe, a fair knowledge of this country because I have always been interested in it since my first stay because I realized the tremendous potentialities of it. One thing we have to recognize is that Argentine governments, like those of most of the other American republics, have been very incompetent and have neglected some of the basic problems of the country. Whatever one may think of this present government, there isn't anyone here who doesn't realize, whether he likes this government or not, that it is making the first attempt in many years to attack some of the basic problems in the country which have needed attention. Their efforts to solve them may be awkward and may not succeed, but the important thing is that they are making an effort, and in spite of mistakes they are making and will make, this tremendous interest there is in the country is bound to bring an upsurge in the development of the country. Besides, it is in the very nature of things that industrial development and increased agricultural capacity will take place here.

The Argentine

The Argentine is for the same reasons already potentially the most important political and economic element in South America. We are tied to Brazil with these close ties of friendship and collaboration for many years and we must preserve and strengthen these by all means, but we have to recognize the fact that in the next years the Argentine is going to grow stronger more rapidly than Brazil. There are so many reasons for this that I will not go into them here. It is just a fact that we have to face and so far as I can see it has no sinister implications if we handle the situation right.

The reason that I am so tremendously interested in carrying through my task here is because I recognize its importance for us. We have the opportunity now to straighten out our situation with the Argentine because I think they will go through with adequate compliance. The sooner this is done the better and we have to face this matter of compliance in a realistic way, for if we try to insist on improper conditions we will certainly not be able to compose the situation and that will mean that the unhappy situation which exists today will be consolidated for several decades, and who know for how long and what damage can be done in the meantime.

I am writing you about this matter because I am very deeply preoccupied. The Soviet Government is making a tremendous play here, but if we handle the thing right they will have no success whatever, for the present Argentine government wants nothing whatever to do with Communism and as little as possible with Soviet Russia with the policies of which it has absolutely no sympathy.

On the other hand our English friends are doing their best to consolidate their situation here and I am afraid that we cannot depend on them to play more fairly with us in the future in this field than they have in the past. One of our difficulties in the Argentine has always been that the British interests here and British interests in England have considered the Argentine as their spearhead against what they consider too great economic penetration by us in this hemisphere. I have felt until recently that we could depend upon more collaborative action from the British in the whole American picture and I think we are going to continue to get a lot of lip service, but I am very much afraid, because of some signs out of London, that the same elements are working as have in the past.

The fact



The fact is there is plenty of room for both of us in the Argentine and in the other Americas and we recognize this, but our British friends do not yet thoroughly recognize it. If we do not handle this Argentine situation properly we are going to create a very unfavorable position for ourselves.

There is not only this Soviet and British interest in this Argentine situation, but there is increased interest on the part of so many European countries in this country. You know that there have been missions here from everywhere, not only from practically every country in Europe, but even from India. All this gives these people here an altogether natural exaggeration of their place in the sphere of things. The present importance of the Argentine in the food supply situation is accidental and due to shortages, but even at that we cannot lose the chance to maintain our position here. We cannot let the question of such individuals as Freude and Doerge, which has been built up on the basis of inadequate information, interfere with our relationships for the near and long range with the Argentine. I have gone into these matters as meticulously and as thoroughly as any human being can, I believe, and have separated the wheat from the chaff. There are some Germans here that must be got out, but they must be the ones against whom there is evidence and not merely built-up prejudice or newspaper reports not based on fact.

I think our economic program, which you have played so important a part in shaping and which is so wise, is in some danger. I see the British trying to run out from us. Certainly the support we are going to get from them will not be as wholehearted and as strong as we could have expected up until recently. It means that we have got to have the help of everyone that we can get.

Whether some of our people like it or not, we have to recognize that the Argentine is a country not only with great potentialities, but with presently a very strong position. While the other American countries recognize our strength and economic power, they cannot disregard the Argentine because she is so much closer to them and contiguity counts a great deal in certain trade. Some of these countries simply have to deal with the Argentine because in normal and abnormal times they have to have such close relations with her. If we are to have the relations with the other American republics politically and commercially and in the defense field that we must have, we have got to have our relations with the Argentine on a proper basis. There is just no getting away from this and any other thinking is altogether unrealistic.

The present

The present President of the Argentine is a much more sensible, intelligent, understanding, and really right-minded person than he is given credit for. I think you know that I have not lived my sixty-three years for nothing and that I have, through my contact with people all over the world, learned to know a little something about human nature. Ever since I have been in the Argentine I have had the opportunity to have very close contact with this new President of the Argentine. I am frank to say that we have become very good friends because I am convinced of his sincerity and correctness of purpose. There isn't the slightest doubt that he realizes that the future of the Argentine is bound up with that of the United States more than with any other country. He is desperately anxious to put his relationships with us on a sound, collaborative basis so that the two countries can really work together in every field. It is the first time in many decades that there has been a President in the Argentine who feels the way he does. Naturally, there are plenty of people in the Argentine who still feel differently. Without any doubt there are some in his immediate surroundings who do not like us and who do not like this idea of close collaboration to the degree that the President does. I can assure you that I can talk with him by the hour in his home on any subject, and he has one of the most receptive and open-minds I have found. This contact has already been very helpful in many ways and I hope that it may continue to be helpful. If, however, we cannot get our relations with the Argentine straightened out in another few months we are going to be in a very bad position, because resentments will be aroused here which will be definitely consolidated and which even the President cannot resist, and there is no reason why he should not himself join therein if these relations cannot be composed on a proper basis.

All that remains is the question of enemy property and aliens and I feel confident that we can get this straightened out by the end of the year, if not before, provided we are willing to be as reasonable as the Argentines are willing to be forthcoming. So far as the attitude of the President and the Secretary is concerned I have no doubt at all, but I am a good deal concerned about the attitude of Spruille, who seems to be completely lacking in understanding of the real major factors which are involved in this problem. So far as I am concerned, I am confident that when the time for decisions comes that the decisions will be made by us in the right way, but we will have to look at this

matter



matter in a somewhat different way than some of our people are looking at it now.

If we look at this thing realistically, most of the American republics have really done little or nothing about enemy property and not much more about enemy aliens. In spite of everything that I did in Mexico in this matter and all the promises I got, they really haven't taken any action with regard to enemy property in formally vesting, and I have the feeling that if we didn't get further under President Avila Camacho, we have little chance under President-elect Aleman, who was the protector of so many of these Germans and Japanese during the war itself. In Brazil some of the leading German firms have not been touched. In a good many of these countries, in fact in most, very little has been done. The long and short of it is that some of them, even if they want to, cannot do very much because their organization of government and problems are such that they are just not able to do anything about it.

We are not permitting, however, these situations in Brazil and Mexico and in others of the American republics to interfere with our normal relations with these countries, and that is entirely right and proper because it is just recognizing the facts. I am entirely in accord that so far as the Argentine is concerned we have to be insistent on a program of adequate compliance because of the attitude which the Argentine took during the greater part of the war and because a certain position has been raised with respect to public opinion in our country. We must, however, be reasonable and if the Argentines carry through the program which they are contemplating and working on very hard with regard to enemy property and aliens they will be going further, I am sure, than any other American country except ourselves, and in some ways I am ready to say further than ourselves. There are too many people who merely talk about these things without informing themselves of the facts and who talk about principle when they don't know what they are really talking about and are really talking on the basis of prejudice.

I have written to you so frankly about this matter because I am so deeply concerned in view of so many problems which I see on the horizon, and I see the need for this close inter-American collaboration and the imperative necessity for the Argentine working with us.

I believe

I believe it can be done if we handle the situation right, and that is why I have permitted myself to write you these intimate thoughts for your purely personal background.

I feel very troubled because Spruille seems to have taken the attitude that there is a feud between us. If there is a feud, it is certainly none of my starting and I have not done anything to carry on and certainly not to provoke a feud. There may be differences in point of view between Spruille and myself, but I have always felt that such honest differences of opinion characterized and do characterize the relationships of all worthwhile people. Certainly I do not and have not taken any differences of opinion in the past as a personal matter and for my part I will not now.

I consider that the issues at stake in this Argentine problem are so great so far as our near range and our long range interests are concerned that I think it is far above personalities and individuals. There are those who are trying to say, I understand, that I am trying to impose policies and to make policies, etc., irrespective of the Department, which of course is all foolishness and pure invention on somebody's part. Policy is a coordinated matter, whether it is internal or external policy, and no individual in the Department or in the field can arrogate to himself the determination of policy. Foreign policy, so far as our country is concerned, is a final determination of the President and of the Secretary, but in arriving at such determination of policy the President and the Secretary will wish and I am sure do keep in mind not only the viewpoints of officers in the Department, but also of those in the field who are responsible for objectively informing the Department.

If there is one thing on which I pride myself it is that I have always tried to be a conscientious and objective officer who has kept constantly in view the primary interests of our own Government. I have done that at all other posts and I am certainly doing it here. One of the difficulties in this Argentine problem is that so many passions were aroused and so many situations were built up which had no real adequate basis in fact. The attitude of the Argentine Government during the war was sufficiently unsatisfactory and unhappy to make it necessary to raise any questions which are not based in fact, such as the information which has been spread with regard to certain individuals, and my attitude is that we cannot make the solution of our major problem with the Argentine

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and the reestablishment of our relations in Latin America dependent upon the expulsion of certain individuals about whom there has been a good deal of noise but concerning whose acts there is no evidence on which our Government could expel them if they were in our country, and therefore we cannot expect another government to do it.

Spruille had a difficult time here and part of it was his own making, because one of the things which these Latin American countries do not forgive is even the most indirect intervention in their internal affairs. One can go very far in guiding these Latin American governments and influencing them if one does it in a discreet way, but one cannot mix openly in their internal problems.

One of the things which I should like to tell you is that I know that a great deal has been said concerning me at home by certain people which is not true and which is sheer invention or malicious. So far as Spruille is concerned I have considered him my friend and I have collaborated with him and tried to be helpful to him in every possible way, but for some reason or other there are so many indications that he seems to have made a personal issue of some of these matters. Before I came down here I talked with the President and with the Secretary and I told them that I had high regard for Spruille and that I considered that it was essential that he remain in the Department until this situation was straightened out. We had an understanding that there were to be no statements with regard to the Argentine situation, and so far as I am concerned I have kept to this, even when it has been very difficult in view of some of the provocative press dispatches from home.

It is not only the political, but the economic and defense factors which are so vital in this matter, and it just seems to me incredible that when the Argentine is showing such a forthcoming attitude and that we have every prospect of settling this matter, so much is being fed to the press which is doing a great deal of damage to the solution.

So far as I am concerned, I am disregarding all this comment and am going to do my job, not because I have any ambitions, for there is no job that I want, but because I know it is so important for our country. If the Argentine comes across, which I believe it will, in an adequate manner, I think the President and the Secretary will reach the appropriate decisions, and I am entirely tranquil in that respect.

One of the

One of the things which I started out to write you about was whether you thought it would be desirable for the Argentine to come into the World Bank and Monetary Fund. If you give me an indication that it is the desire of our Government for them to come in before we have this whole situation cleared up, I believe that there is at least a strong probability that if I talk this matter over with the President in an informal way I may be able to get them in. I do not wish, however, to take even such informal steps unless it is your feeling and that of the Department that I should.

While this letter is not intended for the files and is for you personally, I have, of course, no objection to your showing it to the Secretary should you so wish, but as I have written so frankly to a friend, I would appreciate the letter not going further.

I am happy to say that during the last four or five days I have felt better than I have at any time since the first of July when I was stricken with this very difficult stomach trouble. I have really suffered tortures and I couldn't begin to tell you what I have gone through with this ailment, but I have stuck to the job because I feel it is so tremendously important to get this situation straightened out. The last four or five days I feel much encouraged because I believe there is a distinct improvement in my stomach condition, but I am keeping my fingers crossed as I write this. If I had thought of myself I would have gone home in July and have taken at least six months complete rest, as that is really the only way to take care of a condition like this.

This letter is already too long, but I do want to add another word. There is all this talk about this man Perón being Fascist-Nazi-totalitarian minded. I know him very well. I have had opportunities to explore his mind about as thoroughly as one can explore that of another man. He is very deeply attached to certain principles of social justice and he does want to see some things done to improve the position of his country and of the great mass of the people. He is strongly interested in the maintenance of private capital and initiative. He is against expropriation, arbitrary measures, controls, and all that sort of thing, and wants to get rid of controls as rapidly as possible. He has to struggle with certain situations in the Argentine, but I am confident that he is one of the strongest allies that we can get in our sound economic program. In order, however, for him to be in that position and really work with us it is

necessary



necessary is necessary for us to get our relations straightened out, because he cannot work with us as fully as he would like as long as we keep the Argentine in a certain quarantine.

That is why he is so desperately striving to straighten out the situation in the field of enemy property and aliens and under these circumstances we cannot stress in the matter of compliance a matter such as this of Freude which has been given an altogether artificial importance. He has been in the Argentine for years and is a naturalized Argentine and he has been a friend of Perón's for many years. He was one of the few people with money in the Argentine who gave Perón financial aid during the political campaign and the man who gave Perón shelter when he was threatened with arrest during political troubles here. Unfortunately all this was put in the Blue Book about Freude, when there is really nothing of any importance which can be substantiated. If Freude were living in the United States and had been living in the United States during the war, there isn't any doubt that we would not have found a thing really against him except that he was of German origin and had certain sympathies with Germany. When the Nuremberg court could not convict Schacht and von Papen we could certainly not expect an Argentine court, with practically no evidence at all which can stand up, to denaturalize a man like Freude, who has in many ways made a real contribution to the Argentine economy.

I have brought a good many letters to your attention recently, but I did want to send you this purely personal word because I am so deeply interested in this problem because of its fundamental importance. One of the unfortunate things is that the press at home has been completely disorienting our public with regard to this Argentine situation. The stress is on whether there are difficulties between Braden and me and all that sort of thing, and implications that there is a change in policy when so far as I know there is no change of policy, instead of talking about the importance of United States-Argentine relations and trying to treat this problem in a constructive way, the handling by the press has for the most part been completely destructive. All this makes the task more difficult, but not impossible, and I for one have not lost my interest and will not lose it.

With all good wishes to you and Mrs. Clayton, in which Marion joins,

Cordially and faithfully yours,

P. S. With reference to the last paragraph on Page 2 of this letter in which I state that the Argentine is giving a credit of 400,000,000 pesos to the Spanish Government through the bilateral trade agreement recently concluded, we are reporting specifically on this Spanish arrangement in a separate report, but for the purpose of exactitude and clarity I should say here that more is involved than a credit of 400,000,000 pesos. The arrangement with Spain really provides for a long term loan of 400,000,000 pesos, but out of this Spain will have to pay immediately 215,000,000 pesos which she already owes the Argentine. The agreement also provides for a revolving short term credit in the amount of 315,000,000 pesos.