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MEMORANDUM:

I have just returned from my trip to South-America and I want to send you at once a report of the impressions which I gained during my journey.

A) Situation in South-America in general:

There is an enormous difference between the situation in South America today and in 1937 when I was there the last time. 1937 was a time of prosperity and optimism; today there is recession all round and particularly concerning commodities which depend on the world market. 1937 international politics was a subject rarely discussed; today everyone in Brasil and Argentine who belongs to the educated classes talks about the coming war which is considered as quite probable and such gloomy outlook has, of course, the effect of hampering new activities and increasing economic stagnation.

B) German position in South America:

As long as there is peace countries like Argentine and Brazil will sell those commodities which are bought by nobody else by way of barter deals with Germany (for instance in exchange for railway material). On the other hand the accumulation of enemies of Nazism is continually increasing (American, Englishmen, Frenchmen, Catholics,

Protestants, Jews and last, but not least many Germans living out there!).

Germany seems to realise this increase of anti Nazi feeling and the Germans are therefore sacrificing "cultural" interests in order to maintain economic relations as far as possible. Economic relations seem indeed at present the primary consideration of the Hitler Government as far as South America is concerned, because it appears essential for Germany to obtain certain commodities which are paid for by manufactured goods which are sold at dumping prices.

The sacrifice of "cultural" interests, which I just mentioned, is very evident in the disappearance of German schools, sport associations, clubs, Nazi organisations, in the naturalization by Brasil and Argentine of many subjects of German descent, and in the return of many Germans from South America to Germany (for instance about 500 Germans return at present monthly to Germany alone via Santos.).

It is remarkable that a large number of individuals of German descent - especially those who are successful - are becoming more attached to the country of residence, to its language and community. Many of them are becoming increasingly fanatic Anti-Nazis and I think in case of war

it will be easy to form large volunteer corps from such former Germans, most of them "Aryan's" who are keen on participating in a new crusade for the liberation of Germany from the "Dschingis Khan" troops.

Thanks to Hitler the German units in South America seem to have lost most of their German identity and allegiance - similarly to the developments in U.S.A. during the last war.

C) Jewish Immigration to South America.

I realise that this subject is of considerable interest to the U.S. Government and I noticed this also frequently with your Embassies in both Buenos Aires and Rio. (by the way the British Ambassadors in both places were also interested in this grave problem.)

In close touch with English friends of mine I spent a considerable amount of time in studying this question. In Argentine there are about 320,000 Jews out of the total population of 12,500,000; in Brazil about 205,000 Jews out of a total population of 44,500,000. In both cases about 70% to 80% of the Jews are in large towns. The immigration of German Jews since 1933 amounted to about 25,000 in the case of Argentine and to about 18,000 in the case of Brazil.

Uruguay stopped immigration of German Jews in the end of 1938 after about 80,000 German Jews had immigrated since 1933, practically all of them have settled in Montevideo (the total population of Montevideo amounting to about 800,000). Previously there had been scarcely any Jews in Uruguay.

Whilst Uruguay probably cannot let in further numbers of Jews Argentine and Brasil could easily absorb large numbers. But there are very serious resistances against Jewish immigration, first: resentment against any kind of immigration, because such immigration might bring in undesirable elements and ideas, second: anti-semitism on the part of the authorities and of a certain part of the Catholics (mainly those who have emigrated from Italy), third: inferiority complex of a large number of Brazilians vis-à-vis the Jews who are superior to them in intellectual elasticity and business experience. All these resistances are, of course, made particularly strong by the fact that some Jews ~~that some Jews~~ are not sufficiently unostentatious in their outward appearance. In spite of such resistances I believe that it should be possible with the assistance of U.S.A. and Great Britain to

arrange for further immigration of German Non)Aryans into Argentine and Brazil, mainly, of course, into Brazil, however only under the one important condition that further infiltration into the big towns Buenos Aires, Montevideo, Iro, Sao Paulo etc. is being prevented, if necessary by certain specific restrictions. Any settlement of immigrants in the country is very useful for States like Brazil and Argentine, where economic life is in many ways not developed and where there are still real colonising opportunities. In the Argentine the Minister for Agriculture and his officials, to whom immigration matters are subordinated, are very much in favour of these plans (contrary to the Minister for Foreign Affairs and the Finance Minister). In Brazil Oswaldo Aranha is quite open to ideas of this sort, whilst Getulio Vargas is supposed to have certain anti-semitic leanings.

As this matter is not a purely Jewish problem, but a general and a very Christian duty it would be very important to organise efforts in this direction on a non-confessional basis; the co-operation of the Vatican and of the Society of Friends would be very useful alongside with Jewish Organisations concerning which one can always notice

how wrong Hitler is when he considers the Jews as a united community.

D) U.S.A. - Brazil.

On the occasion of the recent visit of Oswaldo Aranha to Washington the close relations of both countries were again shown. They have a strong economic and political basis and cannot be seriously affected by unfortunate arrogant remarks of a few "Gringos" from U.S.A. which increase the inferiority complex in Rio, the same complex which is much flattered when one speaks of the "Rio de Janeiro - Washington Axis". As to the position of U.S.A. in Brazil it seems to me symptomatic what a German living in Brazil said to me: Three months after U.S.A.'s entry into war at the latest Brazil would belong to the enemies of the III Reich inspite of the fact that the Brazilian General Staff is inclined toward the Rome-Berlin-Axis.

On several occasions I have discussed with Mr. Scotten, as well as with the economic expert of your Embassy, the difficulties of exporting from U.S.A. to Brazil and the competition U.S.A. - Germany vis-à-vis Brazil. Brazil is in principle only too pleased to sell all her commodities to those countries which pay in gold like U.S.A. and England.

But in so far as these countries cannot absorb Brazil's surplus, she (and the same applies to the Argentine) is in fact compelled to sell to everybody in these days of low commodity prices - even by means of barter against German and Italian goods of a kind which might not be specially desired. On account of the German Foreign Exchange situation Germany will sell export goods at almost any price in order to obtain at least some commodities.

If for very good reasons U.S.A. want to avoid clearing arrangements between Brazil and U.S.A. it is an extremely difficult task which has to be dealt with in many different ways. The Export and Import Bank should assist in arranging three to five years finance for a number of large orders given to the Federal Government, the Federal States, the railways, the public utilities. Since the Berlin-Rome-Axis needs Brazil's commodities immediately and not after three to five years, competition will be thus rendered more difficult. A chief difficulty for U.S.A. - export business in general - concerning export not only to Brazil - is the lack of experience in international commerce and of old personal connections. U.S.A. export business is hardly one generation old whilst countries like Germany and England have been de-

veloping it for many generations. Numerous combinations would be possible today through which old German experiences and connections could be used for furthering U.S.A. exports. I myself know of several successful cases of this sort in South-America and in New York. England and U.S.A. have absorbed since 1933 a number of the most intelligent Germans in other fields and have not done badly; here is a similar possibility.

The most characteristic judgement about the relations between Brazil on the one hand and U.S.A./Germany on the other hand comes from Government quarters in Rio: " U.S.A. is our acknowledged legitimate wife, to which all official honours and rights are due - Germany is our mistress whom we love, but whom we have to hide."

E) U.S.A. - Argentina.

The relations between Washington and Buenos Aires are much more difficult than those between Washington and Rio, as could be clearly seen at the last Pan-American Conference in Lima. I have never noticed in the Argentine a stronger Anti-Gringo feeling than this time. I do not envy your Chargé d'Affaires Mr. Tuck - a real gentleman - his position.

I have discussed the reasons with Mr. Tuck and

others and would summarize my conclusions as follows: a deep inferiority complex in Argentina, her envy and jealousy, the wish to be herself the U.S.A. of South-America. A specially strong anti U.S.A. attitude on the part of the Ortiz Government who themselves are not very popular amongst some of their own followers. Actually one-sided trade relations with U.S.A., also clumsy actions by America such as the prohibition of the import of Argentine meat for the U.S. World Fair, which does much more harm than all the meat is worth.

It is not easy to overcome this tension. The commercial competitor of U.S.A. in Argentina is Great Britain who takes advantage of the anti-U.S. feeling for her own purposes - a rather narrow-minded attitude. Since the present policy of England is based on the hope that in case of war U.S.A. will intervene on Great Britain's side it should be possible to ensure that England will support U.S.A. in La Plata.

As you know the Catholic Church has very great influence in Argentina. In view of the important position the Catholics of U.S.A. have at the Vatican there should be possibilities to influence from Rome Buenos Aires in the interest of U.S.A.

Finally the character of the present trade relations