

II-13/1

FOREIGN ECONOMIC ADMINISTRATION
OFFICE
~~BOARD~~ OF ECONOMIC WARFARE

MEMORANDUM

TO: Mr. James McCamy
FROM: William T. Stone
Assistant Director
SUBJECT: UNITED STATES ECONOMIC POLICY TOWARD ARGENTINA

DATE: *ED. Argentina - 920*
OCT 28 1943

Attached herewith is a brief memorandum on United States economic policy toward Argentina prepared by Mr. Danielian at the suggestion of Lauch Currie. It seems to me that this is one of the very first problems that should be pressed after we complete our organizational arrangements.

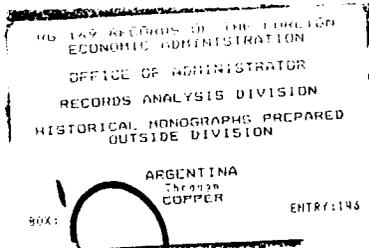
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Attachment

BEW 121

~~present and future needs of the United States~~
Instead of achieving these objectives, we have, on the contrary, helplessly sat by while Fascist and Falangist groups in Argentina seized power to create in the Western Hemisphere one of the most reactionary, repressive anti-democratic military dictatorships anywhere in the world. The Ramirez government which came into power on June 4 has proved even more anti-American and anti-democratic than the Castillo regime, as shown by the following conditions in Argentina:

1. The legislative branch of the government, which even in the Castillo regime acted as a forum for dissident opinion, has been abolished;
2. Military interventors, many of them with known Fascist leanings, have displaced the elected governors of all the provinces and the mayors of major cities;
3. Pro-democratic newspapers and magazines, with few notable exceptions, have been suppressed, while pro-Axis papers remain unmolested;
4. All pro-United Nations organizations have been suppressed;
5. All labor unions have been suppressed;
6. Liberals, labor leaders, socialists, communists, and persons remotely suspected of liberal leanings have been arrested and many of them sent into exile in Patagonia;
7. Strict censorship has been placed on radio and press associations;



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An Evaluation of United States Economic Policy toward Argentina.

A sober consideration of United States policy toward Argentina must reach the inescapable conclusion that we have failed to achieve any of the major political and economic objectives which were defined by the Resolutions of the Meeting of Ministers of Foreign Affairs at Rio de Janeiro in January, 1942, and the recommendations of the Inter-American Financial and Economic Advisory Committee in July, 1942. To enumerate, we have failed: -

1. To bring about a rupture of relations between Argentina and the Axis countries.
2. To stop Axis espionage, sabotage and propaganda activities in Argentina against the United Nations;
3. To stop the flow of contraband goods from Argentina to the European Axis, via neutral countries;
4. To obtain Argentine cooperation in the utilization of its merchant marine and tanker fleet to the best advantage of the United Nations;
5. To obtain the best possible utilization of Argentine productive resources, particularly in foodstuffs, for the present and future needs of the United Nations.

Instead of achieving these objectives, we have, on the contrary, helplessly sat by while Fascist and Falangist groups in Argentina seized power to create in the Western Hemisphere one of the most reactionary, repressive anti-democratic military dictatorships anywhere in the world. The Ramirez government which came into power on June 4 has proved even more anti-American and anti-democratic than the Castillo regime, as shown by the following conditions in Argentina:

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COMING WEIGHING
THE EMIGRATION OF ARGENTINE ECONOMIC EXPERTS

- 8. Liberal and pro-democratic educators and students have been expelled from universities;
- 9. United States firms have been harassed by sanctions and penalties.

Why has the United States failed so dismally in its policies towards Argentina? The reasons are two-fold. First, we have had no program of political warfare designed to bolster the friends of the United Nations in Argentina against the Fascist interests; secondly, we have failed to use the economic instruments of pressure adequately to achieve specific ends.

On the political front, it is a known fact that the friends of the United Nations are to be found among certain native industrial groups whose economic interests are tied up with British and American firms, and among the working people of Argentina. It is important to remember that major segments of Argentine industrial and utility establishments are owned by the United States, British, French and Belgian interests: the power companies, the railroads, the telephone, telegraph and international radio telephone services, the urban transportation systems and the meat-packing companies are controlled by the nationals of these four countries, mostly by British and United States groups. Obviously native Argentine industry whose operations are ancillary to these interests should be within the orbit of their influence. Add to these the natural sympathies of the organized and unorganized labor groups, the most self-conscious in South America, it is a matter of natural surprise that so little has been achieved in Argentina on behalf of the United Nations. The only explanation is that under a false interpretation of the good neighbor policy of non-interference in the internal affairs of Argentina, we have failed to capitalize upon our political assets and have allowed Axis interests to take the upper hand.

The naivete that has characterized our policies in Argentina is best illustrated by the quick recognition of the Ramirez regime. In June, immediately after the accession of Ramirez, the State Department was more concerned with the matter of recognition rather than with the question whether we should recognize them at all. For two weeks after June 4, the Embassies of all the American Republics from Washington to Montevideo were humming with activity to bring about a unanimous and simultaneous declaration of recognition by all Western Hemisphere nations, and the State Department was chagrined when Foreign Minister Aranha of Brazil jumped the gun and announced Brazilian recognition of the Ramirez government ahead of the other nations of the Americas. All the other American nations followed. This haste on our part, was due, rumor hath it, to erroneous and misleading information which the American mission was given in Buenos Aires. Reported to us by both Mr. White, our Acting Special Representative then and by Mr. Camp, our Acting Special Representative now, was the confidential tidbit, reputedly received from quarters close to Ramirez, (a) that the new government would break relations with the Axis, (b) that ~~the~~ it will "do business with us", and (c) that it would be generally "all right".

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Again confidentially, it was reported by our representative that "the revolution was an attempt to forestall a Nazi Coup" which ostensibly was planned for July.

This kind of political advice from our mission in Argentina shows a lack of understanding of historical forces and a failure of our intelligence services in Buenos Aires. At no time in history, and certainly not in Argentina, has a military revolution been a liberal pro-democratic force. That alone should have caused us to wait and see.

These political factors are mentioned here not because they constitute a primary interest on the part of the Foreign Economic Administration, but because they have interfered with the formulation of an economic policy designed to achieve our objectives. The State Department has continually delayed action on the economic front in the illusory expectation that the Argentine government would break relations with the Axis "soon", which in turn depended upon the accession of a friendly government. After a year and a half of hope and expectation, we have obtained neither. In the meantime, Argentine collaborations with the Axis has continued, with uncounted consequences on United Nations interests and lives.

If we want friendly acts from Argentina, we should strive to obtain a friendly government there. But this requires a positive application of political warfare measures, possibly leading to a popular revolution, which apparently the State Department is unwilling or unable to undertake. Failing in this, it is unrealistic to expect friendly actions from an unfriendly government. With such a government, we can appeal not to principle, but only to self interest. There is nothing in the present economic situation in Argentina which makes it advantageous to break with the Axis.

The failure of the State Department's economic policy toward Argentina is due to improper evaluation of this factor. Reduced to its essential results, the State Department's economic policy consists of supplying Argentine scarce materials only to the extent necessary to maintain public health and safety, instead of supplying on the principle of "equal treatment", as provided by the Rio Conference Resolutions. This policy has had no serious effect upon the economy of Argentina because (a) there were considerable stocks on hand, (b) imports continued to come from England, and (c) imports continued to come from Spain, Sweden and Switzerland.

The most powerful economic instruments we have vis-a-vis Argentina are (a) the United Nations' procurement program, and (b) control of coal and petroleum supplies imported in the country. The British part of the procurement program, involving all animal foods, is a long range contractual basis and there has been a disinclination to use this on behalf of other United Nations objectives. As for United State procurement of grains and oils, the opportunity of using it as a bargaining cover was lost when the Commodity Credit Corporation sent Mr. Crossway to Buenos Aires in July, 1943 and he went to see important government officials

