

The most drastic form of pressure the State Department brought to bear on Argentina was threatening to curtail meat imports and to scale down American and -- yes!--British exports to that country. The intended import restrictions included other farm products as well and, in time, limitations in banking and credit operations were added to the quiverful of sanctions. As for exports, Argentina was to receive less of the vital raw materials such as coal, sheet zinc and cresol. The aim was to intimidate the Argentinian government into severing relations with Germany and its allies; however, success -- the threats were gradually unveiled as of the end of March 1942 -- presupposed concerted action by the US and Britain. That never materialized and the economic measures which the State Department was confident would bring a recalcitrant Argentina to heel actually became something of a trip wire in dealings between the two Anglo-Saxon allies. 66

Knowing full-well the sympathy of most of Argentina's parliamentary deputies and of the society at large to be with the anti-Nazi coalition, the Foreign Office frowned upon that country's relations with the Axis. Yet nobody in London believed that the Argentinian government could be forced to reassess its diplomatic ties with the Axis. "We need more from Argentina in the way of raw materials, including food-stuffs etc., than she requires from us; we have given hostages to fortune in the shape of the big British utility companies, including the railways in the Argentine; and we must do what we can in face of overwhelming wartime difficulties, to retain

a foothold, however precarious, in the postwar Argentine market for manufactured goods ... . A few British and Allied successes might improve our position, but even the final Allied victory may be insufficient to draw Argentina out of her self-imposed isolation". 67

The range and sweep of the Japanese armies' westward advance shrank the area on which the British could depend for raw materials. In consequence, even the fixed-volume Argentinian deliveries gained in strategic importance. Still, purely strategic considerations aside, the British government was happy to buy whatever amount of meat, hides and wheat Argentina cared to sell. These imports were vital for keeping Britain in "business as usual" and for the success of its war effort. Therefore, the British could hardly afford to issue warnings to Argentina about imminent cuts in imports. 68

On the contrary, the dire necessity to buy Argentinian forced Great Britain to ensure steady deliveries to that country of certain raw materials. Coal was the most important item; its absence would have hamstrung Argentina's overland transportation and shipping and stopped the giant meat processing plants, the frigorificos, in their tracks. The Foreign Office was perfectly aware of the importance of coal for the Argentinian economy and, mindful of the reduced capacity of British shipping, which caused delivery problems, it viewed export restrictions as highly undesirable. Especially since every now and then the Americans stepped in to restock Argentina with this precious fuel while the British dealers looked on helplessly.

That was one more reason why the projected reductions in coal deliveries were a very sensitive issue with the Foreign Office. Should they ever have been enforced Britain would have been the first to suffer the consequences.

That the British were not overjoyed at Argentina's relations with the Axis was absolutely plain to Castillo and his team. The Argentinian government also rightly noted that the tensions between Washington and London were actually working to the advantage of Buenos Aires, and weighed the absence of any British coercive influence against the tightening squeeze being applied by its North American partner.

Although the Foreign Office vigorously denied rumours going the rounds in Latin America to the effect that Britain did not in the least desire an Argentinian divorce from Germany,<sup>70</sup> the State Department became increasingly suspicious of Britain's true intentions in South America in general and Argentina in particular. The new British ambassador in Washington, Lord Halifax, went out of his way to convince Welles that his country was genuinely willing to cooperate with the United States in Latin America; he also felt compelled to warn London that the State Department was no fan of the policy line being pursued by Britain in Argentina. Indeed, most of the people walking along Washington's corridors of power were of the opinion that the British cabinet's cooperation with the Roosevelt administration fell short of the latter's expectations, allowing the Argentinian government to play off the two countries against one another and reap benefits from doing so.<sup>71</sup>

This mistrust of British policy had several causes. Prominent among them was the invariably mitigatory stance the British assumed whenever Washington was inclined to use harsh economic sanctions.<sup>72</sup> Other reasons included the Nazi-inspired campaign of making tempests out of the minor tiffs between the Anglo-Saxon powers,<sup>73</sup> the absence of a uniform British-American business front in Argentina,<sup>74</sup> statements by certain Latin American politicians; unofficial pronouncements emanating from the Argentine-government quarters.<sup>76</sup> What is more, the tone of the British press, although critical - partly but largely due to the influence of US news agencies - was still many sober miles away from the hysterical outbursts of sensation-hungry North American papers. In any case, the British press did not find the Castillo administration to be pro-Nazi while The Times of August 10, 1942 in an extensive lead article on Argentinian and Chilean politics stated bluntly: "Neither country is pro-Axis".

At the beginning of November 1942 the US ambassador in Buenos Aires, Mr. Armour, suggested that the British government should warn Argentina of possible economic sanctions, in a special statement. He was confident that such a move would scuttle Castillo's tactics of parading Britain's support for Argentina's neutrality, in dealing with the State Department. Armour recommended justifying the sanctions by the need to look for an alternative source of supplies in view of attacks by Nazi submarines on the British merchant navy on the Atlantic. Such a statement, so the argument ran, would clearly imply

that Argentina's maintaining diplomatic relations with Germany helped the Reich gather intelligence subsequently used in submarine warfare and, therefore, was detrimental to British-Argentinian trade. Further more, Welles tried to convince Halifax that such a statement would also amount to Britain disowning what he termed the speculations of some powerful British interest groups, based in Buenos Aires, which were ready to lend their support to Argentinian neutrality.<sup>78</sup>

The amount of food stored in the British Isles made blackmail an utterly impossible proposition. At that time the country had only a two-month supply of meat to fall back on. What is more British negotiators, having on many previous occasions resorted to delaying tactics to secure favourable prices, were positive that the same weapon could not be used again and in different circumstances at that. And of course blackmail works only when a victim perceives real danger resulting from his refusal to cooperate. The Foreign Office, therefore, cherished, no illusions as to the outcome of such a move: "... the trouble is that the Argentines are as meat-minded as the British are football-minded, and they cannot be fooled as to the form of other meat-producing countries."<sup>79</sup> The upshot was that London rejected the idea of blackmail, no statement was issued to please the State Department, and the British rumour machine even idled for the time being.<sup>80</sup>

Still, the British cabinet could ill-afford to go on ignoring Washington's postulates. Under the obligation to look after British interests everywhere -- although certain

officials at the Foreign Office and staff members of the British embassy dismissed as a mere obsession the State Department's attitude towards Argentina -- the cabinet obviously had to keep in good repair its relations with the powerful ally. And so, when not only the predictable El Pampero but also La Nacion, The South American Journal and the New York Herald Tribune began to discuss at length what they believed to be Britain's genuine attitude to Argentina's neutrality, the British government ultimately accepted that some kind of public statement had to be made. On December 31, 1942 the Foreign Office voiced a vaguely-worded regret over Argentina's diplomatic relations with the Axis.<sup>81</sup> No mention was made of meat imports.

This not only failed to placate the State Department, but also may even have encouraged Washington politicians to continue applying the screws to the British government. This possibility is indicated by a request to "coordinate even further the British and US policies vis-à-vis Argentina" addressed to the Foreign Secretary, Anthony Eden, by the Washington administration at the beginning of January 1943. In the State Department's opinion, this closer cooperation presupposed a halting of the periodic British-Argentinian talks concerning the price of meat scheduled for delivery in 1943. Such a move, the Americans were at pains to impart to their partners, would force Castillo's cabinet to cut radio and telecommunications links with the areas controlled by the Axis, and thus make the Atlantic shipping lanes infinitely more navigable.<sup>82</sup>

But the Foreign Office would not be rushed. The State Department, undeterred, came forward with another proposal of restricting British and American exports to Argentina. And again the Foreign Office took its time in committing itself.

The tactics adopted in dealing with the United States and Argentina was inspired by Britain's brand new Latin American and Argentinian policy directive. In mid-April 1943, J. V. Perowne, head of the South American Department at the Foreign Office made this entry in his files: "It was recently decided that, while we must continue publicly to deplore the Argentine neutrality policy, its maintenance had, nevertheless, certain charms for us, and that we had reasons for not wishing to irritate the Argentine government unduly. We should not, therefore, participate in any pressure aimed at achieving a change from the neutrality policy to an extent greater than might be necessary to allay any American suspicions of our attitude. For this reason, it would not be wise to have a show-down with the U.S. over Argentina; it should be left to them to make the running, and we should carefully scrutinise any suggestions for pressure which might be made on us, before agreeing to them".<sup>83</sup> To all practical purposes, the British politicians thinking of the day was increasingly geared to an anticipated postwar situation. R. Henderson entered this comment on the American-British rivalry in the Foreign Office files: "... we have decided not to give way in South America".<sup>84</sup> The Foreign Office minutes of that time become noteworthy for an increasingly abrasive vocabulary, as evidenced

by the following sample: "We must not let the State Department stampede us into anti-Argentine action contrary to our present and long-term interests. We must distinguish between form and substance. Let Argentina officially remain neutral if her behaviour can be brought to show a suitable bias in the Allied favour. I feel that Mr. Sumner Welles would not be averse to embroiling us with Argentina in the sacred name of the United Nations! " <sup>85</sup>

At the beginning of May 1943 the issue of using blackmail against the Castillo government was refloated, this time by the opposition quarters inside Argentina. <sup>86</sup> The Foreign Office, however, rejected out of hand the idea of relating the possible stoppage of meat imports with submarine warfare conducted by the Nazis in the Atlantic. "We must have the meat; and Admiralty have never been able or willing to provide us with evidence that information from Argentina has led to sinking. There is every likelihood, therefore, that this would be a wet squib, if not, indeed, contraproductente." <sup>87</sup>

The incompatibility of the two powers' interests in Argentina was only one of a host of divisive issues. The post-war memoirs of Elliot Roosevelt, <sup>88</sup> Cordell Hull, <sup>89</sup> Winston Churchill <sup>90</sup> and Sumner Welles <sup>91</sup> indicate that the leaders of both countries were perfectly aware that forces prejudicial to the interests of the British Empire were then being realigned, a process which the United States had no intention of slowing down. On the contrary, the United States was striving to weaken Britain's position outside Europe.

Inside the Americas British interests shrank drastically. Britain's capital holdings in the United States plummeted to an all-time low when, in a departure from World War I practice, the United States chose to buy out its ally's investment assets rather than giving straight credit assistance.<sup>92</sup> Fifty destroyers were bartered for the British naval and air bases in Jamaica, St. Lucia, Trinidad, Antigua and Guiana and the Bahamas -- spelling the end of three centuries of British rule over the region. President Roosevelt made no bones about it when he told Congress that the deal was the best since the acquisition of Louisiana.<sup>94</sup> These developments only increased Argentina's importance for Great Britain.

Although there is no denying that the United States' and Britain's respective policy lines did influence Castillo's moves, it should also be remembered that Argentina's neutrality was firmly embedded in its social reality. I discussed earlier in this book the direct involvement of the armed forces in running the country. The stand of the opposition groups likewise requires no further elucidation. So let us now turn the spotlight onto the economy and some other factors which had helped mould the consciousness of the nation.

Although the world conflict opened up good prospects for farm produce exports, transportation difficulties and the actual hostilities curtailed consumption in the war-torn areas. Consequently, the volume of Argentinian exports dwindled considerably. For the sake of comparison, in the years 1940-1943 it accounted for 6.6 million tons annually, a far cry from the

annual average of 14.4 million tons in 1934-1939. Still, the average annual value of these sales in 1940-1943 exceeded the 1934-1939 figures, in consequence of the reverse price trend. 95 It is worth adding here that the bigger share of manufactured goods in wartime exports still failed to steal the limelight from agricultural products, which continued to be the major foreign currency earners and the sole price boosters. So much so that, in the period under review, the value of meat exports rose 6.2 per cent with a simultaneous 5.8 per cent drop in volume. Argentina exported and grew rich, building up its foreign currency and gold reserves. If we accept as 100 the country's reserves of both in 1939, that index had climbed to 117 by 1941, to 152 in 1942 and on to 232 through 1943. 96

The 1939-1945 period saw a deepening of Argentina's dependence on the British and American markets which it had come to appreciate more than before the war. In the years 1937-1939 both countries had absorbed between them approximately 45 per cent of Argentina's exports annually, which figure rose to 70 per cent in 1941-1943. 97 Exports to the Reich ceased almost completely. Comercio exterior argentino, 1940-1970 assessed Germany's share in Argentine exports in the years 1940-1945 at 0.1 per cent. 98 In reality it was a bit more than that. First of all, the above figure leaves out the value of exports to German-controlled France, Belgium and the Netherlands, as well as to Italy, which together in 1940-1945 took in only 3.9 per cent of Argentina's exports. 99 It seems unlikely, therefore, that the Reich's real share could have

gone up by more than a few fractions of one per cent on account of the sway it held over the area. Actually, German control was relatively short-lived and had an effect, only in some of those areas where the demand for Argentine goods had invariably been high.

The role of Spain in Argentinian exports to Germany was a rather more complex issue. The possibility of that country's involvement as a go-between was pointed out in 1942 by the US ambassador in Buenos Aires. On their part, the authors of a Soviet history of Argentina were in no doubt that that had actually been the case when they wrote: "Francoist Spain acted as a firm bridge in Argentina's trade with Germany. Argentine foodstuffs reached Germany by way of Spain".<sup>100</sup>

In 1942 an intended arms deal with Germany caused Argentinian and Spanish officials to draft a tripartite agreement on the strength of which Argentina was to receive weapons from the Spanish arsenals which Germany pledged to replenish. Argentina was to pay for the arms in goods delivered to Spain.<sup>101</sup> As we know, that project never got off the ground, so, conceivably, the deliveries by way of Spain may have come in the wake of other agreements.

Despite the constant growth of Argentinian export to Spain, in 1943 it accounted for just 2.3 per cent of the total.<sup>102</sup> The upswing in Argentinian deliveries came after the signing in 1942 of a compensation agreement whereby Argentina was to supply Spain with one million tons of wheat, 2.5 thousand tons of tobacco and smaller quantities of other products in exchange for 30 thousand tons of steel and iron, 2 merchant ships, one

destroyer and transportation services (shipment of oil).<sup>103</sup> A similar agreement was concluded in July 1944.<sup>104</sup> If we assume that the contracts in question were meant to benefit Germany, we must also accept that what reached the Reich at that time was the vast quantities of wheat and little else. Now that just does not hold water. Spain's wheat harvests and imports barely sufficed to meet the domestic demand, even with food rationing.<sup>105</sup> Therefore, it is difficult to imagine appreciable foodstuff shipments reaching Germany via Spain.

One more indirect but very serious piece of evidence refuting the claim that Argentine wheat was resold to Germany is that in 1942 the State Department toyed with the idea of elbowing Argentina out of the Spanish grain market to make room for US and Canadian exports. The proposal was officially treated as <sup>an</sup> way of pressuring the Castillo government.<sup>106</sup> It is unthinkable that the architects of this conception should have been utterly ignorant of the ultimate destination of the grain flowing into Spain. What is more, at the beginning of 1943 the Foreign Office acknowledged that the Argentine deliveries were indispensable for Spain and that the British-American reserves could hardly be viewed as meaningful substitutes. Yet, a staff directive binding the British and American military contained a loophole enabling Spain to import freely despite the Allied blockade. Which is not to say that the British were eager to promote Argentinian-Spanish trade. Far from it. Nevertheless, they clearly believed that the neutral governments in Buenos Aires and Madrid should be left alone to continue implementing their commercial agreements.<sup>107</sup>