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Castillo's Argentina and World War II Economic Aspects of the Argentine - British - United States - German Quadrangle *)

Ryszard Stemplowski, Warsaw

In 1945 a "Memorandum on Anglo - United States - Argentine Triangle" was produced in the Research Department of the Foreign Office ¹. If such an effort had been done to investigate the Argentine aspect of Great Powers' politics in the earlier period, its analysis would have covered the German factor as well. My own research, concluded in 1973, put emphasis on Argentina's attitude towards rivalries among the United States of America, the German Reich and the United Kingdom, 1930/1933 - 1945/1946 ². Since my book was written, new publications appeared, works being concentrated either on the political aspect of the aforementioned triangle, or on the U.S. policies towards Latin America, or on Germany's Latin American policies ³. The accounts presented and theses advanced by the authors in question have encouraged me, once again, to remind of what I had written on the matter under consideration. Given the problemática of the Festschrift Hermann Kellenbenz and limited space at my disposal, I have chosen to confine my remarks to the economic aspect of Argentina's position under Ramón S. Castillo ⁴.

* * *

The aggressions against Poland, and the British and French involvement in the war, accompanied by the declarations of neutrality by the American governments, have induced significant change into Argentina's position on international markets. Although the important implications were to be seen later on, the first controversy aroused at once, in September of 1939, as the British government made public their policy on the contraband, thus stimulating the Argentine governments' reaction, since many Argentine export commodities had been put as potential contraband. Foreign Minister José María Cantilo responded with merely a promise of good will to be applied by Argentina in her foreign trade activities. Soon, however, the Admiralty started what amounted to a blockade on the Atlantic, and so the Neutrals were being faced by a necessity to make up the shortcomings arising from the new situation. On the German part, after the attempts at imposing

a narrower definition of the war contraband notion - i. e. to exclude much needed food - ended in nothing, the Foreign Minister Joachim Ribbentrop stated in June, 1940, that his government were not in a position to respect the Argentine objections to treating food as the war contraband; in this case, however, he was referring to the sinking of the Argentine ship "Uruguay" destined to Britain ⁵.

In face of inhibiting factors in international trade, President Ortiz agreed willingly to participate in multilateral consultations suggested by the U.S. government, the more so that the agenda proposed was to include matters related to the neutral status, maintaining of peace in the Americas, and to the economic cooperation ⁶. The Argentine delegate, Leopoldo Melo, was instructed to endeavour to concentrate conference works on legal and economic matters, and to avoid any political or military commitments ⁷. Indeed, the consultations among foreign ministers of American republics, held in Panama, October 1939, proved to be a scene of a rare Argentine - United States mutual understanding. Both government seemed to be in agreement as to the neutrality status formula, and Sumner Welles' solemn promises to promote economic cooperation were also very helpful, a committee being established to stimulate such a cooperation ⁸.

Following the consultations, the Argentine government repoded to developments in Europe with economic measures of political importance. They shipped 50,000 tons of wheat to Finland, and later on they sent 20,000 tons of wheat to Norway, to mark their sympathy toward both nations and to accentuate their reservation as to the Soviet and German actions, respectively ⁹.

In an attempt to contain the Argentine neutralism in its pro-British manifestations, Edmund von Thermann, the German Ambassador to Buenos Aires used the economic lever of his diplomatic arsenal. Both, officially and unofficially, the Germans tried to influence people belonging to governing and entrepreneurial circles, while presenting a picture of a blossoming Argentine exports to Germany... after the victorious war. They would not confine themselves to giving promises. Actually, in mid 1940 negotiations took place to prepare for shipping Argentine commodities, as soon as transportation on high seas is restored. Also, the Germans took pains

to establish a mixed corporation for promotion of the Argentine-German trade, to win support of important personalities. Thermann himself, using his time and a special fund, was tirelessly looking for a possibility to recruit influential people and to form a German lobby ¹⁰.

However, it was not so much Thermann as the German victories that influenced people. In June, 1940, Matias Sanchez Sorondo moved in the Senate that the government be advised to appoint a special mission to Germany, Italy and Spain, in search of placing Argentina on post-war markets ¹¹. The uneasiness as to the state of the national economy was not unjustified at that time. Neither promises made in Panama, nor repeated declarations on the need for the economic cooperation made at a similar conference in Habana (1940) could change the plain fact that the Argentine trade interests were threatened. Trade volume was becoming smaller and smaller, and even some prices (those of wheat and leather) were below the five-year-average. Except for April and October, the export value during the year 1940 was falling down; the value for September plummeted to 33 % of that for January ¹². The commercial deficit reached 71,000,000 pesos ¹³, and the payment deficit amounted to 300,000,000 pesos ¹⁴. Castillo who took over the government in August, 1940, since Ortiz had to withdraw because of illness, sought in December, 1940, to form a custom union with Brazil, Paraguay, Uruguay and Bolivia participating in the project. In this connection he was asking for the German, British and United States consent, as these powers enjoyed the treaty-guaranteed privileges ¹⁵. At the same time a conference of the La Plata states on economic cooperation was proposed by the Argentines; Bolivia, Brazil, Paraguay and Uruguay being invited to take part. While the custom union idea was shelved, the La Plata conference took place, the United States and Chilean observers present as well. Projects for regional highroads and oil pipelines were discussed, along with proposals for common legislation concerning transportation. The special office in charge of the regional economic cooperation was set up in Buenos Aires. Somewhat premature as they were, the initiatives in regional cooperation helped stimulate inter-South American trade. One should emphasize the role of Argentina in this context. In 1940 some 40 % of trade among South American countries was linked with Argentina ¹⁶. For the period between 1939 and 1943, the value of the Argentine-Bolivian trade had gone up by 200 %, the Argentine-Chilean by 400 %, the

Argentine-Colombian by 500 %, the Argentine-Uruguayan by 100 % and the Argentine-Brazilian by 50 % (Brazil and Uruguay were the main partners in South America)¹⁷. Goods made in Argentina, particularly commodities marked "Industria Argentina" were helping to overcome shortages of European imports (e. g. half of the Argentine exports were textiles, important items included pharmaceuticals, radio sets, etc.)¹⁸.

On the long run, however, only the restoration of the pre-war conditions for trade could satisfy Argentina's ruling classes. The German victories were being perceived in Buenos Aires in terms of a prolonged turmoil, and since the Argentines did not believe the United Kingdom would loose the war, the very war was being looked at as the adverse factor in Argentine trade activities. On July 4, 1941, Enrique Rufz-Guinazú, since March, 1940, the Argentine Foreign Minister, told Thermann that Germany and the United Kingdom should enter negotiations to end the war, and that the negotiations should be assisted by Roosevelt. Rufz-Guinazú was ready to make such a suggestion to Roosevelt, provided the Germans were interested¹⁹. That offer was ignored by Berlin²⁰, and a similar suggestion by Vargas, in June of 1941, was also unacceptable. Both offers stemmed from the willingness to restore pre-war pattern of relationship in international domain. Certainly, regardless of any initiatives and political or diplomatic manoeuvres, Argentine exports were being continuously shipped to Britain, at handsome prices, and since the British were unable to pay, more and more realistically seemed to appear the idea of buying up the British railways by Argentina²¹.

In December, 1941, war came to America, and neutralism as such was to be tested, soon. In January, 1942, the Rio consultations among foreign ministers of American republics took place. Argentina and Chile refrained from accepting the extreme diplomatic measures recommended. Secretary of State, Cordell Hull would write in his memoirs about, as he put it, capitulation of the United States and the sister republics. Contrary to the hardline approach to Argentina, the "Wall Street Journal" commentator warned against overestimating the political and diplomatic outcome of the Rio conference. The paper pointed out that the economic and financial provisions of the Rio declarations were at least as important as the political recommendations²³.

As a matter of fact, it was before the Rio conference that the Argentine government started to impose limitations on the Axis activities in economy, and it was in the period proceeding that conference that the Argentine - United States Trade Agreement was signed.

The state-owned Yacimientos Petrolíferos Fiscales denied gasoline to the airlines controlled by the Italian and German interests²⁴. In mid 1942, the restrictions made it possible to eliminate the German nationals from these airlines²⁵, and the subsequent closing of the airlines helped to limit deliveries of strategic raw materials from Latin America to Germany (notably platinum). Last not least, the German and Italian airlines (and also the French ones) were being replaced by the U.S. airlines²⁶.

Moreover, since the beginnings of 1942, the Argentine strategic minerals were being sold to the United States exclusively²⁷. The Argentine - United States Trade Agreement proved to be important instrument, at the time of conclusion being seen as a merely political move, though²⁸. Actually, not only raw materials counted, for the canned meat, to name one prominent example, allowed to meet the U.S. Army, the Navy, and the civilian population demand for that commodity in 80 %²⁹. The mutual trade in 1941 - 1943 was 2,33 times as big as in 1937 - 1939³⁰. And, of course, the United States exports to Argentina in 1941 - 1943 surpassed the British exports to that country, a phenomenon similar to that taking place during World War I³¹.

Since President Ortiz death, in July, 1942, Castillo has tightened his control over the government. The Argentine government was pursuing a neutralist policy. However, even if not deliberately attempting to aid the Axis, Castillo's administration allowed the Argentine financial facilities to be used to the benefit of the Axis nationals, despite controls. And so, during August, 1942, some 1,909,000 pesos were remitted to Germany, Italy and France, as a family aid, contrary to the resolution of the Washington conference of June-July, 1942, on systems of economic and financial control, but - as the Argentine officials maintained - in accord with a gentleman's agreement made between the Argentine government and U.S. depart-

ments³². Under the family aid scheme, any person could remit 500 pesos per month, and 1,000 pesos if the remittance was income from investments in Argentina³³.

Remittances were continued in 1943, some of them being made to the Credit Suisse in Zurich, for the account of the Dresdner Bank in Berlin. As James H. Mann, special assistant at the U.S. Embassy, Buenos Aires, pointed out, "the difference between making (...) remittance and not making it is the amount of materials which the German government can purchase for its war machine from other neutral countries ..." ³⁴. One should add, however, that remittances were being made also by the British and Polish nationals, which were contributing to the war efforts of their countries³⁵. The British remitted, during the war, some 3,000,000 pounds³⁶.

In April, 1942, the U.S. Embassy objected to releasing German blocked funds at the request of the Siemens Co., and to the transfer of payments to France. The Embassy argued, that such transactions were inconsistent with inter-American resolutions³⁷. The Argentine government were of the opposite opinion on that matter. They argued, that services authorised by the Banco Central to the benefit of the INAG Fábricas Reunidas de Utiles Sanitarios, a subsidiary of the Siemens Co., were, "doubly advantageous for Argentina: first, because INAG is developing industrial enterprises of great utility for the country: it manufactures X-ray apparatuses and dental and surgical instruments; and secondly, because it conforms with the policy pursued by the Banco Central in endeavoring to have firms of foreign origin which have obligations with the local banks in amounts which are very large in proportion to their capital in the country amortize these debts by degrees. Therefore, in the operation itself there is nothing which can benefit foreign countries"³⁸. The fact remained, however, that the funds to the firm INAG were being transferred from the blocked account of the Deutsche Ueberseeische of Berlin, and while increasing the capital of INAG they made it possible to the firm to amortize a debt in the Banco Aleman Transatlántico³⁹.

In case of the transfer of payments to France, the Argentine Foreign Ministry explained, the Cervecería Argentina Quilmes was dealing with the Banco Hipotecario Franco-Argentino, and it consisted in that the Argentine bank that made the transfer, or any transfer at all, had found a French bank which was willing to sell its francs for the purpose and to receive their equivalent in local currency. This equivalent, stressed the Ministry, was blocked and could not be used in any case for purchasing free exchange ⁴⁰.

To see the role of the local German banks in right perspective, the following should be considered: In July, 1939, the deposits of the two banks (Banco Alemán Transatlántico and Banco Germánico de la América del Sur) were equal to 123,000,000 pesos only, a bit more than 3 % of the deposits in all banks in Argentina, and at the time of war, while the deposits in all banks rose from 4,020,000 pesos in July, 1939, to 5,340,000 pesos in September, 1942, the deposits in the German banks sank to 77,000,000 pesos, or less than 1,5 % of the deposit value in all banks in Argentina. The adverse effect of the war upon the German banks could not be disputed, and the same evaluation was true in case of the Italian controlled Banco Francés e Italiano ⁴¹.

Nevertheless, that is despite the secondary if not less meaningful role of the German and Italian banks, control measures were being introduced, not without pressure from the U.S. government ⁴². True, the controls were aimed at industrial and commercial enterprises as well. The U.S. government was not satisfied with the measures applied in Argentina against the Axis interest, and was forcing the Argentines to conform to the needs and aims of the United States. To this aim the so-called black list was used. "The Proclaimed List of Certain Blocked Nationals" was established in July, 1941, as an integral part of national defence measures, and has been maintained later as part of the U.S. total war effort, to resist and combat what was to be later described as the "pre-military acts of penetration and aggression" ⁴³, an effort which amounted to an attempt at liquidating the German economic interests in Latin America. True, the "black list" was applicable only to persons subject to the jurisdiction and laws of the United States of America, to prohibit United States

citizens from engaging in transactions detrimental to the national security of the United States. In fact, however, the list became a powerful instrument of interventionism. It sufficed that an Argentine firm was declared, by the U.S. authorities, active in the interest of the Axis, and thereby "blacklisted", to prevent the U.S. citizens from doing business with such a firm. At the same time, the U.S. Embassy was active in drawing the attention of Argentine bankers to the availability of credits from the U.S. Export-Import Bank ⁴⁴. As soon as an Argentine bank accepted such a credit, the bank had to reckon with the "black list" implications, and so the management had to be careful about their clients, be it effective or potential. In other words, U.S. private and public money, combined with the "black list" string attached, were constituting a menace to Argentine interests, or at least so though the Argentine government, when they stated in a memorandum to the U.S. government: "Who could be better placed than the Argentine government itself to know whether such and such a firm established in the country affects through its activities the interests of continental defence? The Argentine government is the most interested party in ascertaining this; it is the one which has in its hands the legal and other instruments necessary to repress such activities" ⁴⁵.

The most drastic form of pressure the Department of State brought to bear on Argentina was threatening to curtail meat imports and to scale down the United States 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 Argentine government into severing relations with the Axis; however, the success - the treats were gradually unveiled as of the end of March, 1942, - presupposed concerted action by the United States and the United Kingdom. That never materialized and the economic measures which the Department of State was confident would bring a recalcitrant Argentina to heel actually became something of a trip wire in dealings between the two Anglo-Saxon allies.

Knowing full-well the sympathy of most of Argentina's members of Congress and of the society at large to be with the anti-fascist coalition, the Foreign Office frowned upon that country's relations with the Axis. Yet nobody in London believed that the Argentine government could be forced to reassess its diplomatic ties with the Axis. "We need more from Argentina in the way of raw materials, including foodstuffs, 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 positions, but even the final Allied victory may be insufficient to draw Argentina out of her self-imposed isolation"⁴⁶.

The range and sweep of the Japanese armies's westward advance shrank the area on which the British could depend for raw materials. In consequence, even the fixed-volume Argentine deliveries gained in strategic importance. Still, purely strategic considerations aside, the British government were 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 eminent cuts in imports⁴⁷.

On the contrary, the dire necessity to buy Argentine goods forced the United Kingdom to ensure steady deliveries of certain raw materials to that country. 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 Argentine 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 United States exporters stepped in to restock Argentina with this precious fuel while the British dealers looked on helplessly.

That the British were not overjoyed at Argentina's relations with the Axis was absolutely plain to Castillo and his team. The Argentine 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 ⁴⁸.

Although the Foreign Office vigorously denied rumors going the rounds in Latin America to the effect that the British did not in the least desire an Argentine divorce from Germany ⁴⁹, the Department of State became increasingly suspicious of Britain's true intentions in South America in general and Argentina in particular. The new British Ambassador to 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 Department of State 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 Argentine government to play off the two countries against one another and reap benefits from doing so ⁵⁰.

This mistrust of British policy had several causes. Prominent among them was the invariably mitigatory stance the British were assuming whenever Washington was inclined to use harsh economic sanctions ⁵¹. Other reasons included the Nazi-inspired campaign of making tempest out of the minor tiffs between the Anglo-Saxon powers ⁵², the absence of a uniform British - United States business front in Argentina ⁵³, statements by certain Latin American politicians and unofficial pronouncements emanating from the Argentine government quarters ^{54a}, not without reference being made to the long tradition of the rivalries. What is more, the tone of the British press, although critical - and partly but largely it was due to the influence of the U.S. news agencies ^{54b} - 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,

and "The Times" of August 10, 1942, in an extensive lead article on Argentine and Chilean politics stated bluntly: "Neither country is pro-Axis".

At the beginning of November, 1942, the United States Ambassador to Buenos Aires, Norman 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 Department of State. 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 the British-Argentine trade. Furthermore, 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 the Argentine neutrality⁵⁵.

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 was 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 the threat as a 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"⁵⁶. The upshot was that London rejected the idea of blackmail, no statement was issued to please the Department of State, and even the British rumour machine idled for the time being⁵⁷.

Still, the British government 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 Department of State'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 Nación", "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, His Majesty's Government ultimately accepted that some kind of public statement had to be made. On December 1, 1942, the Foreign Office voiced a vaguely phrased regret over Argentina's diplomatic relations with the Axis⁵⁸. No mention was made of meat imports.

This not only failed to placate the Department of State but also may 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 United States 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-Argentine talks concerning the price of meat scheduled for delivery in 1943. Such a move, the U.S. diplomats were at pains to impart to their partners, would force Castillo's government to cut radio and telecommunications links with the areas controlled by the Axis, and thus make the Atlantic shipping lanes safer⁵⁹. But the Foreign Office would not be rushed. The Department of State, undeterred, came forward with another proposal of restricting British and United States 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 Argentine policy directive. In mid-April, 1943, J. V. Perowne, head of the South American Division made this entry in the Foreign Office files: "It was recently decided that, while we must continue publicly to deplore the Argentine neutrality policy, its maintenance had, neverthe-

less, certain charms for us, and that we had reasons for not wishing to irritate the Argentine government unduly. We should not, therefore, to 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"⁶⁰. To all practical purposes, the British politicians' thinking of the day was increasingly geared to an anticipated postwar situation. N. Henderson entered this comment on the U.S. - British rivalry in the Foreign Office files: "... we have decided not to give way in South America"⁶¹. The Foreign Office minutes of that time become noteworthy for an increasingly abrasive vocabulary: "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!"⁶²

At the beginning of May, 1943, the issue of using blackmail against the Castillo government was refloated, this time by the opposition quarters inside Argentina⁶³. The Foreign Office, however, rejected out of hand the idea of relating the possible stoppage of meat imports with submarine warfare conducted by Germany 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"⁶⁴.

The incompatibility of the two powers' interests in Argentina was only one of a host of divisive issues. The post-war memoirs of Elliot Roosevelt⁶⁵, Cordell Hull⁶⁶, Winston Churchill⁶⁷, and Sumner Welles⁶⁸ 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 departure from World War I practice, the United States chose to buy out its ally's investment assets rather than giving straight credit assistance. At that time, also, fifty destroyers were bartered for the British naval and air bases in Jamaica, St. Lucia, Trinidad, Antigua and Guiana and the Bahamas⁶⁹, spelling the end of British rule over the region. President Roosevelt made no bones about it when he told Congress that the deal was best since the acquisition of Louisiana⁷⁰. These developments only increased Argentina's importance for the United Kingdom.

Although there is no denying that the United States's and Britain's respective policies did influence Castillo's moves, it should also be remembered that Argentina's neutrality was firmly embedded in its social reality. Political considerations aside, let us turn the spotlight onto economy.

For the sake of comparison, in the years 1940-1943 the Argentine exports volume accounted for 6,600,000 tons annually, a far cry from the annual average of 14,400,000 tons in 1934-1939. Still, the average annual value of these sales in 1940-1943 exceeded the 1934-1939 figures, on consequence of the reverse price trends⁷¹. 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 % with a simultaneous 5,8 % drop in volume. Argentina exported and grew rich, building up its foreign reserves. In 1942 nobody thought the national economy was in danger, as it had been in 1940. If we accept as 100 the country's reserves of both, the foreign currency and gold reserves, in 1939, that index had climbed to 152 in 1942, and on to 233 through 1943⁷².

The 1939-1945 period saw a deepening of Argentina's dependence on the British and United States markets which she had come to appreciate more than before the war. In the years 1937-1939 both countries had absorbed between them approximately 45 % of Argentina's exports annually, which figure rose to 70 % in 1941-

1943⁷³. Export to Germany ceased almost completely. "Comercio exterior argentino, 1940-1970" assessed Germany's share in the Argentine exports in the years 1940-1945 at 0,1 %⁷⁴. 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 only 3,9 % of Argentina's exports⁷⁵. It seems unlikely, that the Third Reich's real share, however, could have gone up more than a few fractions of one per cent on account of the sway it held over the area. After all, the German control was relatively short-lived and had effect only in some of those areas where the demand for Argentine goods had invariably been high.

The role of Spain in Argentine 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 United States Ambassador in Buenos Aires. On their part, the authors of a Soviet history of Argentina were in no doubt that this 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"⁷⁶.

Well, in 1942, an intended arms deal with Germany caused Argentine 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 Spain⁷⁷. If the goods in question would have reached Germany, that is merely a matter of speculation. As that project never got off the ground, so, conceivably, the deliveries the Soviet authors write about might have come in the way of other agreements. As a matter of fact, despite the constant growth of the Argentine export to Spain, in 1943 it accounted for just 2,3 % of the total⁷⁸. The fact was, however, that in 1942 an upswing in Argentine deliveries did take place. It came after signing, in 1942, of a compensation agreement whereby Argentina was to supply Spain with 1,000,000 tons of wheat, 2,500 tons of tobacco and smaller quantities of other products in exchange for 30,000 tons of steel and iron, 2 merchant ships, one destroyer and transportation services (shipment of oil)⁷⁹. If we do 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!⁸⁰ Therefore, it is difficult to imagine appreciable foodstuffs shipments reaching Germany via Spain. And one more, indirect but very serious piece of evidence, refuting the claim that Argentine wheat was resold to Germany is that in 1942 the Department of Stated toyed with idea of elbowing Argentina out of the Spanish grain market to make room for United States and Canadian exports. The proposal was officially treated as way of pressuring the Castillo government⁸¹. It is unthinkable that the architects of this conception should have been utterly ignorant of the potential 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 - United States reserves could hardly be viewed as meaningful substitutes. No wonder that a staff directive binding the British and United States military contained a provision enabling Spain to import freely despite the Allied blockade. Which is not to say that the British were eager to promote Argentine - Spanish trade. Far from it. Nevertheless, they clearly believed that the neutral governments should be left alone to continue to implement their commercial agreements⁸².

* * *

The economic results in Castillo's times were good, despite difficulties, and Argentine could view both the industrialization and foreign trade as bases upon which to build up their hopes for the future. The "Argentinisches Tageblatt" wrote on January 1, 1943, that the year 1942 was the year of prosperity; luxury buildings in great variety could be seen in all places; the commentator thought that nowhere in the world such comfortable living houses and commercial premises could be seen as those under construction in Buenos Aires.

True enough, a lion share, as always, went to the rich. Have-nots, however, had also their reasons to satisfaction. After all, living cost indexes were stable, while people still remembered skyrocketing prices and worsening of the living standard during the - as they put it - European War (1914-1918). And ever growing job opportunities in industry and services, mainly in Greater Buenos Aires, attracted migrants. Level of expectations was growing higher and higher.

Castillo's neutrality can be best described in terms of a limited neutrality, that is the neutrality confined to the military-diplomatic domain, for economically Argentina was contributing to the Allies' cause. Controversies between Washington and London were mainly manifestations of a long run, strategic differences, made more profound under war conditions. Any benefits the German Reich managed to achieve were due to the relationship pattern among the countries in question, rather than an effect of German diplomacy. The Argentine ruling class wanted neither the Yankee eagle, nor the German swastika and although the British were being seen increasingly bad, they were accepted as a lesser evil ⁸³.

FOOTNOTES

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- 9 E. Thermann, German Ambassador to Buenos Aires, to the Auswärtiges Amt, 3 May 1940, DGFP/D-IX/194.
- 10 Ribbentrop to the German diplomatic missions in Latin America, 2 July 1940, DGFP/D-X/92. Thermann to the Auswärtiges Amt, 8 June 1940, DGFP/D-IX/401. Memorandum by Chief of the Political Department (IX) in the Auswärtiges Amt, 18 June 1940, DGFP/D-IX/482. Memorandum of the conference of Heads of German diplomatic missions in South America, Buenos Aires 30 November 1940, DGFP/D-XI/429.
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- 14 Memorandum of the Argentine Government, enclosure to the memorandum by Weizsäcker of his conversation with R. Olivera, the Argentine Ambassador to Berlin, 23 December 1940, DGFP/D-XI/555.
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- 25 N. Armour, the U.S. Ambassador to Buenos Aires, to the Department of State, 28 May 1942, FR/1942/V/441-443. E. L. Reed, the U.S. chargé d'affaires in Buenos Aires, to the Department of State, 24 September 1942, FR/1942/V/448-451.
- 26 A. J. Toynbee (Ed.), Survey of International Affairs, 1939-1946. Neutrals and the War, London 1951, p. 62. Toynbee (Ed.), Survey of International Affairs, 1938, vol. 1, p. 676.
- 27 Hull to Roosevelt, see footnote no. 24. See also the correspondence between the U.S. Embassy, Buenos Aires, and the Department of State, FR/1941/VI/357-387, FR/1942/V/306-321. "The Manchester Guardian", 10 January 1941, pointed to the preventive effect of the U.S. imports.
- 28 "La Prensa", 10 October 1941. "The New York Herald Tribune", 15 and 16 October 1941.
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- 32 Armour to the Department of State, 17 December 1942, FR/1942/V/513.
- 33 Memorandum by J. H. Mann, special assistant at the U.S. Embassy, Buenos Aires, 7 May 1943, FR/1943/V/482.
- 34 Ibid., p. 481.
- 35 F. Arciszewski Papers 1942-1944; Col. Arciszewski was the Delegate of the Commander-in-Chief of the Polish Armed Forces in the West, to South America, and later the Military Attaché at the Polish Legation, Rio de Janeiro; Archives of the Polish Institute and Sikorski Museum, London. See also: Stemplowski, Enlistment ... op. cit., p. 170.
- 36 D. Kelly, The Ruling Few or the Human Background to Diplomacy, London 1952, pp. 115, 290.
- 37 Aide-mémoire by Armour, 9 April 1942, FR/1942/V/461.

- 38 Memorandum of the Ministry of Foreign Affairs and Worship to the U.S. Embassy, Buenos Aires, 8 May 1942, FR/1942/V/469.
- 39 Ibid.
- 40 Ibid., p. 468.
- 41 M. L. Bohan, counselor for economic affairs, the U.S. Embassy, Buenos Aires, 4 November 1942, FR/1942/V/502, the data being supplied to him by the Resident Vice President of the First National Bank of Boston, L. Wilcox.
- 42 For instance, the files of the Banco Alemán Transatlántico were being inspected, including correspondence and financial declarations, *ibid.* For particulars on control, see also: FR:1942/V/445-458, 484-486. *Nota bene*, the control instruments, technically applicable to each and every country, did not differentiate between the non-American beligerent parties; E. Grumbach, head of the Foreign Exchange Department of the Banco Central pointed out that it was the intention to apply the control measures only against the Axis countries; Armour to Hull, 15 June 1942, FR/1942/V/485. "The Times", 10 August 1942, wrote that the control measures against the Axis nationals were more severe in Argentina than in Chile.
- 43 Draft memorandum of the U.S. government to the Argentine government, enclosure to S. Welles' (Acting Secretary of State) dispatch to Armour, 13 March 1943, FR/1943/V/315.
- 44 Ibid., p. 317.
- 45 Quoted *ibid.*, p. 320.
- 46 Draft memorandum for A. Eden, unsigned manuscript, handwritten corrections made by J. V. Perowne, head of South American division, the Foreign Office, 28 February 1942, PRO/FO.371.30314.
- 47 Memorandum by Perowne, 21 April 1942; memorandum by E. Mather Jackson, official in the Foreign Office, undated; PRO/FO.371.30314. A 3971.
- 48 Ibid.
- 49 Circular of the Foreign Office to the diplomatic and consular missions in Latin America 2 September 1942, as summarised in a memorandum of conversation between R. Campbell, the British chargé d'affaires, Washington, and Welles on October 9, in: Lord Halifax, the British Ambassador to Washington, to the Foreign Office, 13 October 1942, PRO/FO.371.30333. A 9470.
- 50 Halifax to the Foreign Office ... *ibid.* memorandum by R. A. Gallop, official at the Foreign Office, 16 October 1942, PRO/FO.371.30333. A. 9470. Kelly, *op. cit.*, p. 289.

- 51 "Argentine Policy Directive" - memorandum by the Department of State, 24 September 1942; "Comments of the United Kingdom Government on the United States Argentine Policy Directive dated September 24. A Memorandum", enclosed with: Campbell to Welles, 11 December 1942, PRO/FO. 371.30333.A 11654, A 11817.
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- 53 Memorandum of conversation between Halifax and Welles, Halifax to the Foreign Office, 15 November 1942, PRO/FO.33558.A 10666. See also: Y. Fisk, R.A. Rennie, Argentina in Crisis, Foreign Policy Reports, 1 May 1944. Y. Fisk, R.A. Rennie, The Argentine Republic, New York 1945, p. 266; Fisk and Rennie visited Argentina in their capacity as the State Department's informants, according to J.J. Hernandez Arregui, La formación de la conciencia nacional (1930-1960), Buenos Aires 1970, p. 360.
- 54a Halifax to the Foreign Office, 18 November 1942, and minutes by Foreign Office officials, PRO/FO.371.33559.A 11559.
- 54b "The Times", 23 September 1942. Kelly, op. cit., pp. 114, 288-289, 303.
- 55 Paraphrased cable of Armour to the Department of State, as presented by Hull to Halifax; Halifax to the Foreign Office, 28 December 1942, no. 6267, PRO/FO.371.30334.A 12116. Halifax to the Foreign Office, same date, no. 6266, PRO/FO.371.30334.A 12056.
- 56 Minutes by Gallop, 11 November 1942, 12 November 1942, PRO/FO.371.30334.A 10346. Kelly to Perowne, 3 May 1943, PRO/FO.371.33559.A 4729.
- 57 Minutes by Gallop, as quoted in the footnote no. 56.
- 58 Toynbee (Ed.), Survey ... 1939-1946, op. cit., p. 135. Keesing's Contemporary Archive (1940), 43/5793 A.
- 59 The U.S. Embassy, London, to the Foreign Office, 11 January 1943. Minutes by Gallop, 17 January 1943. Minutes by Perowne, 12 January 1943, PRO/FO. 371/33558.A 483.
- 60 Minutes by Perowne, 15 April and 19 May 1943, PRO/FO.33558.A 3340; and 33559.A 4795.
- 61 Minutes by Henderson, 17 (?) May 1943, PRO/FO.371.33559.A 4532.
- 62 Minutes by Perowne, 10 March 1943, PRO/FO.371.33558.A 2356.
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