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The US Destabilization and Economic Boycott of Argentina of the 1940s, revisited

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INTRODUCTION

In 1940 Argentina had a per capita income and a degree of social development that placed her among the most 'advanced' countries in the world.[1] By 1970 she was already a well-established member of the Third World. Argentina's decline, or as some wit once aptly put it, 'the miracle of Argentine under development', has led to the formulation of a constellation of explanations, none too satisfactory. Dependency theories and (on the other extreme) theories based on endogenous social and cultural dynamics, generally either failed to explain Argentina's previous success, or distorted Argentina's history previous to 1940 in order to make it fit the necessities of the causal model adopted.[2] Nor were theories based on historic accident convincing: Perón's perverse role in the ruin of Argentina, alleged by some, has always sounded more like a caricature of history and a propaganda piece than sound social science.

With the opening of British and American archives for the 1940s, however, it has been possible to make some progress in identifying variables linked to Argentina's relations with these countries which had a greater impact upon her political stability and economic fortunes than had previously been considered plausible by historians, economists and social scientists. This is not to say that they are the most important variables at play; only that their influence can be solidly documented.[3]

Indeed, these documents tell us the story of the consequences of Argentine neutrality, that is, of a US policy of economic boycott and political destabilization of the River Plate country; UK efforts to neutralize US policy until 1947; and what could be described as an anti-Argentine US-UK coalition from 1947 to 1949. As such, there are two dimensions to the story that unfolds: Argentine policy and Anglo-American policy. With respect to the latter, there can be little doubt that the USA - and from 1947 to 1949, the USA in combination with the UK - did a great damage to Argentina. With respect to the former, two main ideas emerge. First, Argentine neutrality was not intrinsically pro-Axis (as official USA rhetoric held), but basically pro-British (and anti-American) instead; second, Argentine neutrality, as well as that country's early post-war economic policies, were suicidal attitudes which revealed both lack of pragmatism and megalomania on the side of Argentine decision-makers.

The enormous disparity of forces between the USA and Argentina (mitigated, in the perception of Argentine decision-makers, by Allied dependence on Argentine foodstuffs)

made it pure folly to challenge the USA, particularly considering the unsatisfactory and often antagonistic character of both countries' relations during the preceding half century (which made Argentina's 'misbehavior' less pardonable in US eyes than, for example, Brazil's). The fact that it was indeed folly, however, is completely independent from the morally and juridically-oriented questions of whether the USA was right or wrong in pressuring Argentina into acquiescence, and of whether Argentina had a legitimate right to be neutral. With respect to these questions, the combined contents of the British and American papers tends to show convincingly that the USA was 'wrong' and that from a naively juridicist perspective Argentina was in her perfect right to do what she did. But the papers also show that in so doing, she engaged in a self-destructive policy that was all but good statesmanship.

Due to limitations of space, this paper will only deal with a description of US-UK policy towards Argentina during the period, that is, the consequences of Argentina's wartime and early post-war policies. In my opinion, the subject is interesting not only from the point of view of a better understanding of one of the several causes of Argentina's post-war decline, but also conceptually, from the perspective of big-power favor *vis-à-vis* disfavor as a variable which impinges upon peripheral development, as well as from the viewpoint of the self-destructive nature of certain types of third world nationalism, which in contemporary times can be witnessed in cases such as 1982 (Falkland War) Argentina and present-day Iran (an example which may appear extreme, but which in my opinion soundly illustrates the point).

US POLITICAL DESTABILIZATION OF ARGENTINA

I will summarily sketch out the main aspects of US-UK policy, analytically separating its diplomatic and economic facets. In December 1939, partly as a consequence of the Battle of the River Plate, the Argentine government had come to the conclusion that neutral rights were a fiction, and that the development of the war would not allow true neutrality. Thus, Argentine Foreign Minister José María Cantilo suggested to British Ambassador Sir Esmond Ovey that Argentina might abandon neutrality and side with the Allies. The British government considered the proposal embarrassing because although Britain would profit from the use of Argentine naval facilities, she was already benefiting from Argentina's major contribution, supplies, without the need for Argentine active belligerence, and there was a danger that Argentine unilateral action in this respect might annoy the USA and prejudice UK-US relations. The British, therefore, did not respond to the proposal. The Argentine government then turned to the USA.

In April 1940 Cantilo called on US Ambassador Norman Armour, and on behalf of President Ortiz made a highly confidential proposal for the consideration of Hull and Roosevelt to the effect that Argentina and the USA - and possibly other American republics – abandon neutrality to side with the Allies without actually becoming belligerents, much in the same way as Italy sided with Germany but did not yet participate in the war. The US reply consisted of five points:

1. US public opinion would strongly object to an abandonment of neutrality.
2. Such a step would break inter-American unanimity.

3. If 'non-belligerent alignment' meant anything at all, it implied that Italy had an understanding or alliance with Germany but was not taking part in actual hostilities, although with the very definitive threat that she would do so on Germany's side at any moment. That situation did not apply to any American republic, none of which had alliances with belligerent powers, and there was therefore no reason why any American republic should adopt a policy that was being followed by an ally of a belligerent in Europe.
4. The Argentine proposal would need congressional action in order to be adopted by the USA, in view of the revised Neutrality Act of November 4, 1939.
5. The US neutrality law permitted the sale of supplies to any belligerents who could come and get them, and the fact that the Germans were not in a position to avail themselves of this did not alter the situation, even though the practical result was that the Allies were the only ones able to buy from the USA.

Deplorable developments were to follow. On May 10 it was known that the Argentine proposal had been leaked to the press. Though efforts were made in Washington and Buenos Aires to avoid publication, by May 12 an article marked 'special' from Washington bearing the news was published in *La Nación.* The Argentine government attributed responsibility for the leak to Washington. By May 13 the Argentine government felt a press statement had to be issued acknowledging the Argentine initiative on the subject.

The leak had catastrophic consequences within Argentina. To some Argentines, the abandonment of neutrality would have been a betrayal of the principles and traditions of Argentine foreign policy. Nationalist elements issued posters demanding Cantilo's resignation. On May 18 President Ortiz issued a press statement saying that Argentina maintained 'the strictest impartiality' in the continuing war.

Ortiz and Cantilo began to lose power, a process that was made more acute when President Roosevelt made a speech in June 1940 at Charlottesville, Virginia, stating that the extension of material resources to Britain and France was a prime US objective. This was no less and no more than the 'non-belligerence' Argentina had suggested, yet not only had Argentina been previously rebuffed, but Roosevelt had actually set forth publicly non-belligerence as the official policy of the USA, without an act of Congress, and without even a passing reference to the Argentine initiative. Roosevelt's attitude was not only an unintentional blow to Argentine foreign policy generally, but also to Ortiz and Cantilo personally and the ideals for which they stood, making an Argentine rupture with the Axis due to US pressures after the US entry into the war close to politically impossible, considering the importance that an independent foreign policy had in Argentina's political culture. Naturally, it would be naive to suggest that the USA should have followed Argentina's lead on such an important issue. I only point to the fact that given the characteristics of Argentina's political culture, it was not likely that she would follow the USA lead after this rebuff.[4]

After Pearl Harbor, US rhetoric would abound with references to the Fascist Menace from Argentina. These views of Argentina coincide with neither the British, German, nor Italian views. Nevertheless, they molded US policy, which embarked on an unrelenting and forceful public and private political bombardment of Argentina's constitutional

government. Internally, US policy was justified with claims as far fetched as the pretension that if left alone, Argentina would produce the Third World War: this extravagant assertion was made by Secretary of State Hull, Vice-President Wallace, Secretary of the Treasury Morgenthau and, later, Ambassador Spruille Braden.[5]

According to the perception of British Foreign Office officials at the time, the continuous attack on the Argentine government was a factor leading to the military coup of June 1943, which at first was hailed by the US Embassy as their own success.[6] Once they were disappointed, counter-productive destabilization tactics led directly to the resignation from the Cabinet of the pro-Allied elements: Secretary of State Hull publicized an embarrassing letter from pro-Allied Admiral Storni, and in so doing completely altered the composition of the until then equally divided Cabinet.[7] Hull was fed up with the situation and seemed not to care what the consequences of his actions were: if they were counter-productive, and led to even less Argentine cooperation, his opportunities for more muscle-flexing and self-righteous castigation of Argentina increased. Indeed, Under-Secretary of State Sumner Welles confides in his memoirs that Hull had 'an anti-Argentine bias that was almost psychopathic'.[8]

Thus, partly because of Hull's personality, partly because of the long-standing US-Argentine rivalry that nourished him, partly because of US Manifest-Destiny feeling and partly because of Argentina's relatively little importance to the USA, US action against Argentina was considerably more severe than analogous action towards other neutrals, despite the fact that Argentina was contributing more to the war effort than weak belligerents, through food supplies, and despite the fact that the US armed services had warned the State Department early on that Southern South America could not be defended, adding that Buenos Aires, more than any other capital, should avoid annoying the Axis. In spite of the hard overall US attitude towards Argentina, British officials felt that the USA were even a trifle tougher when British interests were involved, and this brings us to the last, but certainly not least important, of the factors that triggered US action: Anglo-American commercial competition.[9]

The US-Argentine conflict escalated as both sides retaliated. Hull was determined to overthrow the Ramírez government. After considerable bureaucratic conflict, Argentine assets in the USA were frozen. In turn, Argentine economic pressure was applied on neighboring countries to establish an anti-US bloc. Ramírez, Gilbert, and Perón made public statements encouraging Chile, Paraguay and Uruguay to join Argentina against US imperialism. Hull pressed the British to join in an all-out embargo of the Argentine economy, only to discover that the British were actually grateful to Argentina for her cooperation. The boycott could be intensified only from the US side. Argentina retaliated promoting a successful rightist coup in Bolivia. The overthrow of Ramírez became the official policy of the USA. Hull prepared an indictment of Argentina and took steps to strengthen, militarily and economically, the countries most vulnerable to Argentine pressure. Simultaneously, powerful units of the South Atlantic Fleet were ordered into the mouth of the River Plate. Here, Ramírez backed down, severing relations with the Axis.[10]

Once Ramírez took that fated step, Hull began to question the terms of the rupture declaration. He pushed Ramírez into a desperate situation, apparently oblivious to the fact

that neutralists besieged the Argentine President. Hull was putting Argentina 'in her place', and he did not seem to care that in the process he was pushing that country away from his professed objectives. Ramírez was overthrown. With the Farrell-Perón government established in Argentina, Hull not only pursued a non-recognition policy but also refused to make known what steps the Argentine government had to take in order to be recognized. He pushed the British into following the US lead, much to their distress. He was determined to cause the overthrow of the Farrell-Perón government, but in this, as in so many other things connected with Argentina, he failed.[11]

With Hull's retirement, US aggression subsided briefly in 1945. Nelson Rockefeller, who took over Latin American Affairs and was very much a pragmatist and as such, opposed to Hull's anti-Argentine policies, had to maneuver subtly in order to attain the change of policy, conspiring secretly with the British in order to achieve his objectives, due to the deeply rooted character of the anti-Argentine attitude. The maneuvers being successful, however, the change of policy was abrupt, and little US face-saving was attempted. US policy was reversed, and barely a month after Argentina had declared war, she was admitted both to the San Francisco Conference and to the United Nations Organization, against strong Russian opposition. Inexplicably, however, Rockefeller's plans would be frustrated by the appointment of Spruille Braden as Ambassador to Argentina.[12]

The abruptness with which Rockefeller's pragmatism would be buried by Braden's campaign illustrates once more just how ultimately irrelevant the pragmatism he advocated was to the USA. The Rockefeller policy would be only a 'brief honeymoon' in US-Argentine relations. Rockefeller lost a great deal of power after the groundswell of anti-Argentine feeling in US public opinion which followed Argentina's admission to San Francisco, and Braden rode that wave admirably. Whatever his personal motivations and convictions, it cannot be doubted that his attitude *vis-à-vis* Argentina helped to advance his career considerably.

During Braden's reign, the economic boycott was carried to the extreme of risking an Argentine retaliation by way of interrupting the shipments of foodstuffs to Europe at a time in which Europe was even more direly dependent on these shipments than she had been during the war. The seriousness of the situation was such that the worst-case scenario studied by the British included complete social collapse and a Communist take-over in areas of Central Europe. Naturally, if the worst case would have come close to materializing, the USA would have been forced to change its policy or to undertake a military operation against Argentina. But as long as it remained merely a worst-case scenario, it frightened the British, who would have been vulnerable to the consequences of such a situation, but it produced few anxieties within the US government. More than a possibility to be considered in the US decision-making process, the worst-case scenario was relegated to the role of a British weapon in the pro-Argentine lobbying they were forced to engage in while pursuing - quite rationally - their own interest.[13]

Braden's career did indeed progress as a result of his activities in Buenos Aires, and only three months after his arrival to that city he had abandoned this post, to replace Rockefeller in Washington. He continued with his attacks on the Perón-Farrell régime, produced the famous Blue Book, an indictment of Argentina in which he documents the alleged

Argentine-Axis connection and, as is well known, lost the Argentine elections in which the slogan ‘Braden or Perón’ helped to arouse nationalist fervor favorable to the latter. While Braden continued with open and covert anti-Argentine policies in the State Department, however, George Messersmith was appointed US Ambassador in Buenos Aires, and here another strange phase of this conflict ensued, as the new ambassador dedicated himself to the task of re-evaluating the extent of the Nazi connection of Argentina and finding, after six months of research, that the Axis ‘threat’ had been largely imaginary. Braden’s rhetoric about the actual threat to US security posed by the Argentine government co-existed side-by-side with Messersmith’s diametrically opposed vision of an Argentina victimized by Braden while trying desperately to find a way of placating him.[14]

The battle between Messersmith and Braden was finally resolved in the former’s favor when, after intensive communication between Messersmith and Secretary of State George Marshall, Braden resigned and Messersmith’s mission in Argentina was declared 'successfully terminated' in June 1947.

This is the point in which, officially, US-Argentine relations were finally normalized. Notwithstanding, the economic boycott continued, apparently without the authorization or even the knowledge of the State Department. Before going into that episode, however, I will very briefly describe the main measures of economic boycott produced until that time.

US ECONOMIC BOYCOTT OF ARGENTINA

The boycott of the Argentine economy began in February 1942 and would continue, with varying characteristics and intensity, until 1949. During the war years, the effort concentrated on depriving Argentina of many vital supplies for which, with the Fall of France and the advent of the Battle of Britain, the USA had become virtually the only source. Licenses were refused for the exportation to Argentina of steel machinery, railway replacement parts and rolling stock, petroleum equipment and chemicals, iron and steel, coal, fuel oil, caustic soda and ash, tinplate, etc., to a far greater extent than was justified by wartime scarcities, and with the definitive intention of increasing Argentina’s vulnerability, for which purpose studies were undertaken by US government officials. This was complemented by continuous US interference in Argentina's Latin American trade, geared towards preventing the exportation to Argentina of Bolivian and Brazilian rubber, Bolivian quinine and tin, Brazilian coal, Chilean copper, etc. Simultaneously, pressure was applied on Britain to greatly limit exports to Argentina. This pressure was successful in so far as the banning of a wide range of products was concerned, all the way from such strategic items as certain grades of steel to irrelevant goods which fired the American imagination, like second-hand gliders.

But when it came to attempting an all out export-import embargo against the Argentine economy the British refused to play along, partly because of divergent views and interests in the River Plate region, and partly because President Roosevelt refused to guarantee that Britain’s loss in meat supplies would be made up through US stockpiles. However, US pressures during the war were successful in preventing the signing of long-term Anglo-Argentine meat contracts. Throughout the war and early post-war period, the US boycotted all Anglo-Argentine negotiations leading to a strengthening of the Anglo-Argentine link,

like the long-term meat and linseed contracts, while they systematically supported the British part in all negotiations which, like the Argentine government's purchase of the British-owned railways, led simultaneously to the severance of the Anglo-Argentine link - hence to the withdrawal of the British from Southern South America - and to the strengthening of Britain's island economy. British acquiescence to US pressures against long-term Anglo-Argentine contracts during the war, on the other hand, was obtained counter to a US guarantee that all other buyers would be kept out of the Argentine market. This in turn led to the obstruction of French-Argentine and Italian-Argentine relations, and of Argentine trade with Belgium and Norway. Immediately after the war, the USA refused to invite Argentina to the drafting conference of the proposed International Trade Organization, in another attempt towards cutting Argentina away from the mainstream of world trade, despite British objections that one of the world's leading trading nations, as Argentina then was, could not be excluded. Measures were also taken to obstruct the expansion of Argentina's merchant navy.[15]

US Export Policy 1 towards Argentina, of February 3, 1945 read: 'Export of capital goods should be kept at present minimums. It is essential not to permit the expansion of Argentine heavy industry.' With fluctuations, a State Department policy of boycott continued until the official normalization of relations with Argentina in June 1947. A covert and illegal economic boycott, counter to official US policy, continued through the operations of the powerful Economic Cooperation Administration (ECA), which was in charge of the European Recovery Program (ERP). ECA adopted since its inception a policy of preventing European procurement with Marshall Plan dollars in Argentina, while allowing it in Canada and Australia, Argentina's natural competitors in food markets. Furthermore, ECA used its overwhelming power to discourage European purchases in Argentina in European currencies. The whole affair might have gone by unregistered were it not for the indiscreet anti-Argentine remarks made to the press by relatively minor ECA officials, which created an uproar in Argentina and led an outraged Ambassador James Bruce, the new US envoy in Buenos Aires, to order an investigation into ECA's Argentine policy. In a letter to President Truman he reported declarations by the Director of ECA's Food and Agriculture Division, who stated that he was going to 'beat Argentina to its knees', having also misrepresented Argentine prices and given instructions to the Army to purchase meat in any country except Argentina, no matter how much higher the price might be.

As a consequence of the investigation ordered by Bruce, a very secret memorandum was produced by the State Department on January 25, 1949, documenting thirty-three instances of ECA discrimination against Argentina that, besides losses in dollars, implied losses in practically every European currency, above and beyond the Marshall Plan. ECA had also attempted to 'use its power to force concessions from Argentina, either directly or indirectly, *by forming a combination of European countries against Argentina*'. Obviously, this put Argentina in an extremely unfavorable position *vis-à-vis* the world market. ECA treatment of Canada had been entirely at odds with this, encouraging European purchases, authorizing substantial offshore procurement, acknowledging Canada's dollar needs and being willing to negotiate a guarantee of minimum offshore procurement in order to insure a dollar supply. Contrariwise, in the case of Argentina, despite action by the State Department a memorandum of March 22, 1949, reported new discriminations, although acknowledging that the situation had improved. It conceded that 'discrimination by ECA in

1948 had contributed to the dollar shortage and to the present precarious economic condition in Argentina'. Howard H. Tewksbury, Chief of the Division of River Plate Affairs, conceded that the situation 'might lead to catastrophe'.[16]

BRITAIN'S POLICY CHANGE

Tewksbury also wrote that Argentina should direct at least a part of her anathema against third countries. Consulting the British archives, this appears to be an adequate appraisal. Until mid-1947 Britain's attitude in Washington could be described largely (in relation to this case) as that of a pro-Argentine lobbyist, albeit with some mixed feelings which stemmed from the fear that should the US-Argentine situation be completely normalized, Argentina might turn to the USA and British interests might find themselves endangered. But in August 1947 Britain found its dollar reserves running close to depletion and had to recur to a unilateral declaration of sterling inconvertibility, with a previous consultation with the USA.

The inconvertibility of sterling violated (among several other compacts) both the Anglo-American Financial Agreement of 1946 (a breach which the USA accepted) and the Eady-Miranda Agreement of the same year (a unilateral breach without any sort of consultation with Argentina). By the latter agreement, Britain had guaranteed sterling convertibility, and Argentina had agreed to put capital into the British-owned Argentine railroads, thus making a joint venture out of them. The railroad agreement had later evolved into an outright purchase deal, by which they would be transferred to the Argentine government for approximately 150 million pounds sterling. This had been hailed as an important success by the British government, which had long planned to attempt to sell the railways to Argentina, both in order to greatly reduce its debt to that country and as a way of getting rid of what it considered a (no longer profitable) 'hostage' which enabled the Argentines indirectly to blackmail the British (this being one of the reasons why they had felt forced to embark on their lobbying action in Washington - the other, of course, being food supplies).

This breach of contract with Argentina put Britain in a delicate position, because the possibility arose that the railway deal might not be ratified as a consequence. The British opted to say to the Argentines that there would only be a temporary suspension of convertibility as far as Argentina was concerned, in order - so the argument ran - to ensure her availability of sterling for the completion of the railway deal.[17] Naturally, once the deal was ratified and carried out, there was nevertheless no convertibility for Argentina. Tension grew between both governments. Argentina demanded, in lieu of convertibility, a dollar quota in order to be able to continue with her traditional triangular trade, buying in the USA products that she could not purchase in Britain. The Cabinet's Economic Policy Committee recommended on November 14, 1947 that Argentina's dollar ration be limited, as an absolute maximum, to the equivalent of 20 million pounds. In the actual course of negotiations, however, they conceded no dollars whatsoever.[18]

Argentina was not the only country with this sort of triangular trade. Canada was also dependent on it for her economic well-being. On November 11, 1947 the Cabinet's Economic Policy Committee decided to offer Canada 77 million pounds in dollars. This offer was raised in December to 90 million (US$360 million) and then again to US$400

million with a clause to renegotiate the ration upwards should Britain receive Marshall Plan dollars.[19] By 1949, partly as a consequence of tripartite talks in Washington, Canada traded with Britain exclusively in dollars, a trade which was financed partly on a cash basis and partly through a Canadian line of credit.[20] Meanwhile, the decision concerning Argentina held firm: there would be no gold or dollar ration for her.[21]

For Argentina, this meant the failure of Perón's ambitious industrialization plan, which depended on the purchase of US capital goods which were unavailable in Britain. For the USA, Britain and continental Europe this was good news, since the increased demand on capital goods which Perón's policy would generate was considered counter-productive for European recovery. Furthermore, for the UK it meant that the Argentine government would be forced to purchase British consumer goods, thus equilibrating a balance of payments that was grossly favorable to Argentina. Already in January 1948, R.H. Hadow, Counselor for Latin American affairs at the British Embassy in Washington, speculated with an 'Anglo--American squeeze-play' to retard or kill the Argentine industrialization plan.[22]

Britain's refusal to pay any dollars to Argentina generated in the Foreign Office the perception that it would be undesirable that the USA or the continental European countries pay Argentina with dollars, as that would supposedly have strengthened Argentina's bargaining power *vis-à-vis* Britain. Thus, Britain endeavored to obtain American and continental European cooperation. In June 1948 Ambassador Sir Reginald Leeper talked in this respect to US Ambassador James Bruce in Buenos Aires. Bruce offered his support.[23] In July 1948 a Foreign Office telegram to the British Embassy in Washington emphasized the need to obtain not only American but also European cooperation through informal exchanges of information via the OEEC in Paris.[24] By September 1948 an informal agreement had been reached in Paris, motivating a memorandum by the Chancellor of the Exchequer in which he stated that due to the British attitude in Paris it was more than ever necessary to refrain from giving any dollars to Argentina.[25] The State Department's cooperation both from the point of view of denying dollars to Argentina and from that of helping to keep Argentine prices down is repeatedly acknowledged in these papers.[26] Naturally enough, reference is also made to the need of keeping any news of British cooperation with Americans and other European buyers away from Argentine ears.[27]

Thus, Tewksbury's opinion about the complicity of third countries with the Economic Cooperation Administration's anti-Argentine policy seems acceptable. It is clear that after August 1947 and as a consequence of the convertibility crisis, Britain's policy with respect to Argentina shifted diametrically, and leaned on US antipathy for Argentina instead of attempting to neutralize it, as she had done with few exceptions from 1942 to 1947.[28]

During these years, the Argentine government headstrongly pursued a policy that ran counter to the combined interests of the USA, Britain and continental Europe. Partly because of it, she had (at least economically) even less international support in this period than during the war years: the world was less dependent on her food supplies than before, and the Argentine plan for very rapid industrialization was a nuisance both for the British balance of payments and European recovery. It can be argued that she was only exercising a right, as during the war she had exercised the right to be neutral. But it can hardly be doubted that she was pursuing a self-destructive policy. By 1949 Argentina was

suffering a severe foreign exchange crisis in which the events here described certainly played a part (although they were not the only ones).

THE ENDOGENOUS VERSUS THE EXOGENOUS FACTORS IN ARGENTINA'S INTERNATIONAL RELATIONS

There can hardly be doubt that great power disfavor is a variable that intervened in Argentina's post-war frustration. It is an unquantifiable variable - just how great was its impact in the long term we cannot know - yet it is a variable that we cannot ignore when accounting for the 'miracle of Argentine underdevelopment'. Nevertheless, this is only one side of the coin with respect to even a one-sided variable such as the impact of Argentina's international relations upon her post-war frustrations. Indeed, international relations are at least a two-way road, however asymmetrical that road may be. That successive Argentine governments may have felt that they were exercising a right in reacting to American pressure is not to be doubted. Nonetheless, it is striking that these governments should have attempted to exercise such rights at any cost. Largely because of her reactions to offensive US pressures, Argentina brought herself increasingly close to the Axis during the war years, to the point that while she advocated a commitment with the Allies in 1940, when the war was far from won, she carne dangerously close to endorsing the Axis in 1944, when they had practically lost the war. Among other measures, Argentina reacted to US pressures by promoting a successful rightist coup in Bolivia in late 1943. Top Argentine officials (Ramírez, Gilbert and Perón) made public statements in Chile, Paraguay and Uruguay advocating a united front against Yankee imperialism. Counterproductively to US aims, American pressure gave nationalists increased power in Argentina, and nationalists answered back in haughty terms which had a suicidal potential. *Not every political culture makes such political dynamics possible.*

When the war ended this behavior continued, and it went on even after US harassment of Argentina had ceased. In the early 1950s Argentine embassies throughout Latin America (and some countries in Europe and the Middle East) became the disseminators of an intense and extremely irritating anti-American propaganda campaign. The campaign's consequence was, naturally enough, a change in US policy: while the 1951 Policy Statement advocated a non-discriminatory policy towards Argentina, the 1952 revision calls for discrete diplomatic action to neutralize all attempts of 'Argentine political penetration' in Latin America (and thus US policy became an obstacle to Perón's economic integration plans, at precisely the same time that the US endorsed the Schuman Plan).[29] Argentine nationalism appears to have been more Quixotic than Fascist. On the other hand, reducing the relevance of the cultural factors that made these events possible by explaining them in terms of the willful acts of individuals is not intellectually satisfying. This was made clear many years later, when a very different government waged a war against Britain that was both criminal and Quixotic. Though nothing that Argentina did during the 1940s could unambiguously warrant the adjective 'criminal', the same self-destructive political dynamics (made possible by elements in her political culture that have not been satisfactorily studied) were present.

From the point of view of the impact of the international relations of a peripheral state upon its economic development and politic al stability, the Argentine case is one in which the

policies and attitudes adopted by the peripheral state aggravated a situation which in and of itself was not favorable to its interests. Due to historical factors, the USA was ill disposed towards Argentina from the start. Furthermore, Argentina was of only very marginal relevance to the economic and strategic interests of the USA. The Americans could afford to adopt policies towards Argentina which were frequently contradictory and could be deemed 'irrational', policies which the more pragmatically-minded sectors in the USA (Big Business and the armed services, for example) opposed, and which the British considered objectively counter-productive for the war effort. But Argentina could not afford to irritate the American giant, no matter what her perceptions of right and justice were.

Nevertheless, she did. Argentina fell into what could be called an 'irrationality syndrome' in her policy-making process. Concomitantly, the USA fell into an 'irrelevance-of-rationality syndrome' in its policy-making process *vis-à-vis* Argentina. And the British quite rationally despaired: their dependence on Argentine foodstuffs was too dire for irrationality to be irrelevant from their viewpoint. Finally, Argentina alienated the British also, pursuing a policy which she was in her perfect right to pursue, but which ran counter to too many interests to be successful. The pursuit of perceived rights and/or principles *a outrance,* no matter what the cost, is a part of this irrationality syndrome, a syndrome which can be found in too many instances for it to be deemed a historical accident: it seems clear that it is made possible by certain aspects of the country's political culture. On the other hand, it would appear that in the USA such irrationality emerges principally in policy arenas which are relatively marginal to US strategic and economic interests. This is the case not only for the 1940s but also for today: US response to a military coup in Turkey is not the same as to a coup in Chile; US response to Argentine violations of human rights is not the same as to Saudi violations.[30] This is not to say that this double standard is the product of Machiavellian ca1culations: more often, it is probably the result of political and bureaucratic dynamics by which pragmatically-minded sectors tend to gain power in strategically and economically important policy arenas, while symbolically-minded sectors tend to gain it in policy arenas of only marginal relevance.

Irrelevance-of-rationality in the US decision-making process *vis-à-vis* some (though by no means all) peripheral states appears to be a not uncommon phenomenon. It has an impact on the nature of the relations of those states with the USA, and thus impinges somewhat on the political stability and economic development of those countries. Likewise, symbolic nationalism leading to irrationality syndromes in the decision-making process of peripheral countries *vis-à-vis* the central states is also a not uncommon phenomenon. It has an impact on the central states' responses and thus, to some degree, on the political and economic future of such peripheral states. The relevance of these variables will vary from case to case and according to circumstances. The Argentine case helps us to identify them as potentially important. Comparative studies would be needed, however, to further evaluate their impact. Nonetheless, it would appear that they must be taken into account in any theoretical description of the dynamics of the world-system and of dependency relations.

Naturally, *these variables are important because of the sometimes overwhelming relevance of the central states' policies towards specific peripheral states.* If anything, what this paper has accomplished is to demonstrate the relevance great power disfavor had for Argentina's fortunes during and immediately after the Second World War. It is simple to

demonstrate, on the other hand, that US favor during the war (and to a lesser degree after the war) had a considerable importance for the future of Brazil, as well as a great relevance, after the war, for the future of Europe. Strategic and economic interests were the most important factors engendering this favor. In turn, disfavor towards Argentina was generated by a complex set of variables. But this disfavor was aggravated by Argentine policies, and here US irrelevance-of-rationality *vis-à-vis* Argentina fed on Argentine irrationality and vice versa, generating a cycle that for Argentina could only be extremely damaging.

NOTES AND REFERENCES

[1] C. Díaz-Alejandro, Essays on the Economic History of the Argentine Republic (New Haven: 1970), p. 1.

[2] Such is the case, for example, of the highly influential book by F.H. Cardoso and E. Faletto, *Dependency and Development in Latin America,* in which the authors recur to ideologically biased descriptions of Argentina's socio-economic development during the first four decades of the twentieth century, which contrast sharply with the scholarly work of (to name only one economist and one sociologist) Díaz-Alejandro and G. Germani, among many others. Theoretical paradigms aside, Germani's empirical work is very important because it showed the momentous growth of Argentina's middle classes during the 1869-1947 period, which made Argentina's social structure a 'modern' one, that is, one comparable to those of the USA and Western Europe *(Sociología de la Modernización,* Buenos Aires, 1969). Also, in his 'Appendix' to the Spanish edition of Lipset and Bendix's *Social Mobility in Industrial Society* (Buenos Aires: 1962) he showed how Argentina, unlike typical Third World countries and even most Western ones, fitted into the category corresponding to the greatest degree of social mobility in an international comparison. All this goes to show that Argentina's 'associated-dependent development' (Cardoso's concept) did not, at least until the 1940s, produce the 'highly exploitative' internal relations hypothesised by Cardoso and Faletto or (among several others), T. Dos Santos ('The Structure of Dependence', *American Economic Review,* 60, no. 5).

[3] Relatively new, archive-based work about the 1940s includes: C. Escudé, *Gran Bretaña, Estados Unidos y la Declinación Argentina,* 1942-1949 (Buenos Aires: 1983) (also Yale Ph.D. dissertation, *The Argentine Eclipse: the international factor in Argentina's post World War Il decline,*1981); M.L. Francis, *The Limits of Hegemony: United States relations with Argentina and Chile during World War Il,* (Notre Dame: 1977); Gary Frank, *Struggle for Hegemony: Argentina, Brazil and the Second World War* (Miami: 1979) and *Juan Perón vs. SpruilleBraden* (Lanham: 1980); R.A. Giacalone, *From Bad Neighbors to Reluctant Partners:Argentina and the United States, 1946-1950* (Indiana Ph.D. dissertation 1977); R.A. Humphreys, *Latin America and the Second World War* (two volumes) (London: 1982); C.A. MacDonald, 'The Politics of Intervention: the United States and Argentina, 1941-1946', *Journal of Latin American Studies,* 12 (2), 1980, and 'The US, the Cold War and Perón', in C. Abel and e. Lewis (eds), *Latin America, Economic 1mperialism and the State: the political economy of the external connection from independence to the present* (London: 1985); M. Rapoport *Gran Bretaña, Estados Unidos y las Clases Dirigentes Argentinas. 1940-1945* (Buenos Aires: 1980); R.B. Woods, *The Roosevelt Foreign Policy Establishment and the 'Good Neighbor': the United States and Argentina,* 1941-1945 (Kansas: 1979) and R.C. Newton, 'The United States, the German-Argentines, and the Myth of the Fourth Reich, 1943-47', *Hispanic American Historical Review,* 64(1), 1984.

[4] *Foreign Relations of the United States, 1940* (FRUS), vol. 1, pp. 743-44, and Sir Esmond Ovey, December 1939, A 8748/, A 9021/, A 9175 and A9219/5992/51, FO 371/22765, PRO. AIso J.S. Tulchin, 'The Argentine Proposal for Non-Belligerancy', *Journal of Inter-American Studies,* October 1969, and S.E. Hilton, 'Argentine Neutrality, September 1939-

June 1940: a Re-examination', *The Americas,* January 1966.
[5] For German and Italian perceptions, see US State Department, *Documentson German Foreign Policy,* pp. 157-158; A. Frye, *Nazi Germanyand the American Hemisphere,* 1933-41 (New Haven: 1967) p. 123; G. Ciano, *Ciano's Diary,* 1937-1939 (London: 1952) p. 75 and 93; and S.E. Hilton, *op.cit.,* note 17. For Wa11ace's, Hu11's and others' claims that the Third World War would come from Argentina see, for example, Blum, *The Price of Vision: the Diaries of Henry Wallace* (Boston: 1973) p. 294.
[6] Sir David Kelly, *The Ruling Few* (London: n.d.) p. 297.
[7] 'Hull's Reply to Storni', *Department of State Bulletin,* 11 December 1943.
[8] Sumner We11es, *Where Are We Heading?* (New York: 1946) p. 186.
[9] R.H. Hadow's memorandum 14 December 1944, AS 74/12/2, Hadow to Perowne 26 December 1944, AS 20/12/2, FO 371/44684; Hadow, 3 January 1945, U 296/12/70, FO 371/50672 and 22 January 1945, AS 516/12/2, FO 371/44684; V. Perowne to Hadow, 30 January 1945 AS 577/1/2, FO 371/44682, PRO.
[10] Escudé, Francis, Frank (1979) and Woods deal with this process (see Note 3).
[11] Ibid.
[12] Evidence of Rockefeller's attitude is contained in Halifax to FO, 30 March 1945, AS 1816/12/2, FO 371/44685, and 5 April 1945, AS 1927/12/2, FO 371/44695: 'Rockefeller (…) frankly appealed for all possible help His Majesty's Representative in Buenos Aires could give him in facing his critics in the United States (…) and admitted he is leaning more upon His Majesty's Embassy than upon his own, whom he does not trust'.
[13] Escudé, Frank (1980), Giacalone and MacDonald a11 deal with this process (see Note 3).
[14] Messersmith's memorandum to General Marshall, classified 'Top Secret - Not for Files' (24 January 1947; 711:35/1-2447, RG 59, State Department, National Archives of the United States - NA), contains an eloquent list of his own as well as Argentina's grievances with respect to Braden's policies. It claims that this policy was contrary to the American interest, as well as 'inequitable and improper and impossible and contrary to every principle of our Government and people'. On the other hand, Braden's 'Memorandum on the Argentine Situation' (935.00/7-1245, RG 59, State Department, NA), which although of earlier authorship was actively circulated at the time Messersmith sent his to Marshall (it was called 'the Gospel' and 'our Faith' by some of Braden's subordinates), warned about Argentine racism, Fascism, expansionism and militarism, while stating that a southern bloc of nations led by Argentina would be a dangerous threat to US security in the event of war. While for Braden selling arms to Argentina was dangerous, for Messersmith the danger lay in not selling arms to her, as he envisaged an arms race amongst European manufacturers eager to fill-in the supply vacuum. Both memos stood side by side as opposite rationales for opposite definitions of the American interest and of policy *vis-à-vis* Argentina. Both probably exaggerated. And their errors and exaggerations - which led to incredibly different policy proposals - were probably of only very marginal importance to US vital interests, because Argentina itself was not important to the USA (a situation which stood in sharp contrast to Argentina's very considerable importance for Britain). This is a good illustration of what I call the 'irrelevance-of-rationality' syndrome in US foreign policy-making *vis-à-vis* some peripheral states. In such cases, policy-making becomes an arena for bureaucratic competition. The cost of erring becomes marginal, and thus the US interest is frequently subordinated to the private interests of competing bureaucrats, often without even the awareness of their bosses. Also, in such cases symbolic objectives tend to take precedence

vis-à-vis pragmatic objectives. This will be dealt with in the concluding sections of this paper.

[15] The most detailed description of the US economic boycott of Argentina, based on American and British archival sources, is to be found in Escudé, op. cit (in both the Spanish and English - dissertation - versions) .

[16] US Export Policy I is to be found in FRUS 1945, vol. 9, pp. 526-599. The memorandum on ECA's policy towards Argentina (25 January 1949; FW 840.50 Recovery/I-2549, RG 59, State Dep., NA) is an extremely significant document that leaves very few doubts with respect to ECA's obstruction of Argentine trade and finances. The other memorandum mentioned is to be found in 835.50/3-2249. Finally, Tewksbury's letter to Ambassador Bruce can be consulted in FRUS 1949, vol. 2, pp. 478-80.

[17] CAB 134/215,82210, EPC (47)15, 14 November 1947, PRO.

[18] Ibid, memorandum presenting the report.

[19] CAB 134/215, 82210, EPC(47), 7th meeting, 11 November 1947, and 16th meeting, 16 December 1947, PRO.

[20] CAB 134/120, EPC(49), 9th meeting, 24 March 1949; CAB 134/223, EPC(49)144, 17 November 1949, and EPC(49)146, 18 November 1949, PRO.

[21] CAB 134/219, 82210, EPC(48)80, 9 September 1948, PRO.

[22] Letter R.H. Hadow to C.A.E. Shuckburgh, 7 January 1948, FO 371/68109, 84321, PRO. Actually, it would be unfair to say that Britain was against Argentine industrialization: it was considered inevitable, and it was thus deemed desirable to attempt to be partners in the venture, exporting capital goods. The problem was that Britain was not yet ready to export large amounts of capital goods. From a British point of view, all Argentina had to do was wait a few years. From the point of view of the Argentine government, however, it was considered desirable to invest war and post-war savings into a conversion of the country's economic structure. Britain desired a return to equilibrium through the use of at least a part of these savings on consumer goods: Argentina was to buy 'non-essentials' from Britain, while Britain purchased only 'essential' goods. The Argentine government was not willing to wait: it wanted to purchase only essentials, and therefore needed to continue with its Anglo-American triangular trade; buying the railways was, at least in part, a way of getting a British convertibility commitment.

On the other hand, the Foreign Office was aware that it was deceiving Argentina with respect to the interruption of convertibility, although the excuse given (which the Foreign Office privately acknowledged as deception) was to some extent valid: Argentina was running out of the sterling needed to purchase the railways. The fact that she was running out of sterling can lead to the argument that the Five Year Plan was doomed to failure even without sterling inconvertibility, because the Plan was over-ambitious and mismanaged. Nevertheless, sterling inconvertibility must be counted as one of the causes for its failure: had it not been over-ambitious and mismanaged, it would also have failed because of this factor, which was historically present to no less an extent than the others. This is not a trivial counter-factual speculation, but a necessary exercise if one is to understand the *causes* of its failure. Furthermore, the causes of the Plan's failure as such are less relevant than the causes of Argentina's economic woes, and in this sterling inconvertibility, combined with bad investments such as the railways (which were purchased with a guarantee of future sterling convertibility, which was not forthcoming), was indeed a factor of some importance.

What can be argued more successfully is that, in view of the fact that the Plan ran counter to the combined interests of Britain, continental Europe and the USA, its very conception was a mistake from a pragmatic point of view. The assumption which underlies this pragmatic assertion, however, must be emphasized: given the world order of the times, Europe had a better 'right' to recovery than Argentina to industrialization. This assumption also underlies the idea that Britain was reasonable and Argentina was not, and that 'all Argentina had to do was to wait a little'. From a naive, juridicist and unpragmatic point of view (which was that of the Argentine government), Argentina was in her perfect right *not* to wait, to demand convertibility and capital goods for her sterling, and indeed, to use war and post-war savings (that is, UK debts) to literally transplant a part of Europe's industrial structure into the River Plate. Such a policy was doomed to failure even if it had not been mismanaged, because it ran counter to too many interests (in other words, Argentina was not powerful enough to successfully implement it). Nevertheless, the assumptions underlying both the Argentine and the British points of view must be brought out into the open, because they reveal an *asymmetry of power* which is the only real reason why Argentina's policy objectives must be considered errors. The same mistake has been committed all too many times in Argentine history, partly because the realities of power politics are often knowingly and unknowingly disguised.

[23] Letter Sir R. Leeper to Shuckburgh, 8 June 1948, FO 371/71840; 84321, PRO.

[24] Draft telegram FO to British Ambassador in Washington, same file as above.

[25] Same file as Note 21. With respect to the Paris decision, CP(48)177 is quoted.

[26] Memorandum FO to British Foreign Secretary, 19 January 1949, FO 371/74348, 84784, PRO.

[27] Same file as Note 23.

[28] In the light of the British papers it is not clear, however, how US Ambassador James Bruce could have claimed innocence with respect to ECA's policy towards Argentina, to the point of asking President Truman to fire Dr. D.A. FitzGerald, the subordinate official who was blamed for it (Bruce to Truman, 17 November 1948, 711.35/11-1948, RG 59, Dep. of State, NA). FitzGerald was not fired.

[29] Memorandum on proposed policy changes towards Argentina (March 1952) and 23 June 1952 State Department meeting on policy towards Argentina, 611.35/6-2352, RG 59, NA.

[30] The 'irrelevance-of-rationality' syndrome in the US decision-making process towards peripheral states is further developed as a concept in Escudé, op. cit. (both versions). Also, see Note 14.