

RG 131

Entry NW 3-131-94-001

Box 19

file:

Argentine Freezing  
Program

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Authority NND 968103

By DK NARA Date 1/2/97

II-16/1

[Note Exhibits were not with this document.]

NOV - 1 1943

Secretary Morgenthau

Randolph Paul

There is attached a detailed memorandum covering all of the developments in the Argentine situation, during your absence, which may be summarized very briefly as follows:

- (1) A strong cable was received from Ambassador Armour recommending the freezing of Argentina. (See Exhibit No. 1 attached.)
- (2) A joint memorandum was sent to the President on October 25 by State and Treasury. (See Exhibit No. 2.) The President in reply sent a memorandum to Stettinius (Exhibit No. 4 attached) indicating that we should keep the matter on our desks to be reviewed every week or two, and suggesting the possibility of a leak that freezing is being studied.
- (3) Such a leak did occur and was carried in the press, Wednesday, October 27. (See Exhibit No. 3).
- (4) Another strong cable was received from Armour again recommending freezing. (See Exhibit No. 9).
- (5) Separate memoranda were sent to the President on Friday, October 29, by State and Treasury. (See Exhibits Nos. 12 and 13). The President approved the State Department memorandum.
- (6) With State's permission we have specially blocked the two largest Argentine banks: Banco de la Nacion and Banco de la Provincia, and prevented them from transferring their funds to the Central Bank and to banks in Uruguay.
- (7) The Argentine Central Bank is calling in dollars held by other Argentine banks. These dollars are then being converted into gold.

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(8) The movement of Argentine gold from New York back to Argentina has started. The first shipment of approximately \$1,250,000 in value left New York on Friday and will leave New Orleans on an Argentine boat probably November 2 or 3.

(Initialed) B.E.P.

*[Handwritten signature]*

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NOV - 1 1943

MEMORANDUM FOR THE SECRETARY:

In view of recent developments highlighting the pro-Axis character of the present government of Argentina, we had been working for some time on reopening the question of freezing Argentina. A substantial amount of background information had been gathered and extensive documentation prepared. The following is a summary of events as they transpired:

Saturday, October 23: At about 5:30 P. M. Pehle received word from the State Department that the United States Ambassador to Argentina, Norman Armour, had recommended the freezing of Argentina. Armour's recommendations are contained in cable No. 2483 of October 20 (Exhibit No. 1) which was received by the Treasury Department about 6:30 Saturday night, October 23. The matter was promptly discussed with me by Luxford and Pehle. They pointed out that in view of the growing tension between Argentina and the United States it was likely that Argentina would start to move assets out of this country, particularly cloaked Axis assets. They pointed out that Argentina had for some time been trying to arrange to transfer a substantial part of her \$300,000,000 in gold now in the United States to Argentina and that failing in her attempts to arrange transportation by air the Central Bank had just effected arrangements whereby \$1,250,000 in gold would be shipped to Argentina on each Argentine ship henceforth leaving the United States. Argentina desires to make such shipments despite the fact that each shipment will cost approximately \$56,000 in insurance charges alone, plus freight and other charges.

I promptly called Under Secretary Stettinius, who was acting in Cordell Hull's absence, and asked for a meeting on the question before Monday morning. Stettinius arranged a meeting in his apartment at 8:45 P. M. Saturday night. Stettinius said he would have a couple of his "boys" there.

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When Pehle, Luxford, and I arrived we found the following group in attendance:

- E. R. Stettinius, Jr.
- Dean Acheson
- Pete Collado
- Phillip Bonsal
- Larry Duggan
- John Hooker
- Francis Russell

plus several other State Department men and William Yendell Elliot of W.P.B. We discussed the question for over an hour. Stettinius more or less took the point of view that he was just learning about such matters. All of the other State Department representatives vigorously opposed taking any action. Dean Acheson was particularly bitter in opposing the Treasury's proposal. The arguments of the State Department representatives boiled down to the following points:

- (1) Freezing will not force out the present government of Argentina, but will tend to strengthen its position.
- (2) No significant economic warfare objectives would be obtained by freezing Argentina.
- (3) The other Latin American Republics might feel that the United States was back to its old policy of using the "big stick".
- (4) The freezing of Argentina might produce retaliatory action by Argentina.

Stettinius and I finally decided that a short joint memorandum should be sent to the President and that we should discuss the matter with him on Monday morning.

Sunday, October 24: After consulting with me about the matter Pehle and Luxford worked with Duggan and Collado of State on a statement to the President. Duggan and Collado

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indicated that they had discussed the matter further with Stettinius that day and that he had outlined in a general way the position which State should take. It was clear that Collado and Duggan did not take the same antagonistic point of view toward the Treasury's proposal as they had taken before discussing the matter privately with Stettinius. During the conversations Duggan said that he felt that both State and Treasury had taken extreme positions the night before on an issue where, perhaps, both Departments were fundamentally much closer together. For example, he indicated that on the question as to whether freezing would overthrow Ramirez, in his own mind, the odds were only 1 to 2 against it. Collado then agreed and said "As I told you (Larry Duggan) yesterday, I think that the odds are only 40-60".

Monday, October 25: The memorandum (Exhibit No. 2) was cleared with me and with Stettinius early in the morning and sent to the President. Stettinius apparently was unable to arrange for us to discuss the matter with the President.

At 3:10 P. M. Stettinius called back. He said that he had received a "flashback" from the President who had read the memorandum and that the President thought no action should be taken this week, but that the matter should be studied from week to week and that he would like to be kept advised. Stettinius said that the President suggested that it might be wise from the standpoint of both State and Treasury to let it leak out that studies along the line of freezing Argentina are being undertaken, which would tend to scare the present government. Stettinius did not know whether the leak would be such a good idea, but said that he thought the Treasury position was making headway. It was agreed that we would get together at the end of the week or the beginning of next week and reconvene the matter and I suggested that we might find that we were pretty much in agreement by that time.

Tuesday, October 26: At about 9:30 A. M., Larry Duggan of State called Pehle. He said that he wanted Treasury to know that the matter of "leaking" a possible freezing of Argentina was a matter for the Treasury. He did not elaborate

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on this statement, but it was clear that the State Department was not adverse to the leak but did not want to become too intimately connected with the arrangements. This matter was then discussed at 12 o'clock in my office with Herbert Gaston, Chick Schwarz, Luxford, and Pehle and it was decided that Gaston should call Lyle Wilson of the United Press (in view of that organization's good Latin American coverage) and arrange for the necessary story.

Pursuant to arrangements made by Mr. Gaston, Luxford, Schwarz, and I spoke to Carroll Kenworthy, Latin American man for United Press, Tuesday afternoon. I told Kenworthy that we were considering freezing Argentina and that he might want to write up a story to such effect, with the clear understanding that such story could not be attributed to any person present or to the Treasury. In response to his request, Luxford and I gave Kenworthy a little of the background. He raised the question that he might find himself "out on a limb" if the Treasury Department were to deny the story if queried by other representatives of the press. I advised Kenworthy that the Treasury Department would not deny the story but would merely state that the Treasury Department had no comment to make. The background information furnished Kenworthy is contained in the clippings (Exhibit No. 3) which appeared in the press the following morning. It was made clear to Kenworthy by Schwarz that our release of this story in this manner did not involve any interdepartmental jurisdiction dispute.

After the conversation with Kenworthy a letter, dated October 26 (Exhibit No. 4) was received from Mr. Stettinius transmitting a copy of the President's memorandum to him dated October 25. A copy of the reply which I sent to Stettinius is attached. (Exhibit No. 5).

The radio commentators at 9 and 11 P. M. referred briefly to the fact that the United States Government was considering the freezing of Argentina.

Wednesday, October 27: There are attached hereto copies of the stories suggesting that the freezing of Argentine assets is being considered, which appeared on Wednesday in the New York Times, the New York Herald Tribune, PM, and the Washington Times-Herald. (Exhibit No. 3).

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Collado talked to Pehle at 12:20 P. M. Collado indicated that Stettinius was disturbed by the story appearing in the Times-Herald. Pehle told him that he was somewhat surprised at this reaction since Duggan of State, the previous day, had indicated that the matter of a "leak" was one for the Treasury Department. Pehle did not indicate, however, whether or not the Treasury Department had anything to do with the stories appearing in the press. Collado said that State was checking on the source of the story and was inclined to believe that the story came out of New York. Collado was unable to point to any harmful effects from the story appearing in the press. Collado also mentioned a new cable which had been received from Armour, No. 2520 of October 25 (Exhibit No. 6). The cable indicates that Prebish of the Central Bank has resigned, the bank board has accepted his resignation, and the Ramirez Government is moving in to secure control of the Argentine Central Bank.

Bonsal called Pehle at 3:00 o'clock and also mentioned that Stettinius was somewhat disturbed about the story appearing in the Times-Herald.

At 4 P. M. Pehle called Collado and summarized to him the unusual Argentine transactions reported to the Treasury as follows:

- October 25 - Transferred from Argentine accounts:  
(Monday) \$50,000 to Venezuela; \$125,000 to individuals in the United States; \$120,000 to Uruguay; total \$295,000.
- October 26 - Transferred from Argentine accounts:  
(Tuesday) \$450,000 to Uruguay, of which \$350,000 was from account of Banco de la Provincia.
- October 27 - Transferred from Argentine accounts:  
(up to 4 P.M.) \$410,000 to Uruguay, of which \$230,000 was from accounts of Banco de la Provincia and Banco de la Nacion.  
(Wednesday)

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Thursday, October 24: Shortly before 1:00 o'clock, Lang of the New York Federal advised us by telephone that the Federal had received instructions from the Argentine Central Bank to receive a total of \$16,250,000 for its account from various New York banks by order of various banks in Buenos Aires, of which \$7,500,000 was to be received by order of the Banco de la Provincia and \$2,000,000 by order of the Banco de la Nacion. At 1:05 P. M. Pehle called Collado of State, and being unable to reach him, talked to Bonsal. He described the situation to Bonsal and told Bonsal that as a minimum emergency measure, large transfers out of the accounts of Banco de la Provincia and Banco de la Nacion should be stopped. Bonsal seemed to be in agreement, but said that he would have to take the matter up with various people in the State Department. Pehle emphasized to Bonsal the necessity of immediate action. At 1:15 P. M. Pehle called Knoke of the Federal Reserve Bank of New York and discussed the situation with him. In order to prevent the transfers from being effected and pending a clearance from the State Department, Pehle instructed Knoke to refuse to receive funds tendered to the Federal Reserve Bank for account of the Banco de la Nacion or Banco de la Provincia, without specific authority from the Treasury. These instructions were confirmed to Mr. Knoke by telegram, which was despatched at 1:32 P. M. (Exhibit No. 7).

At 2:30 Collado called and Pehle brought him up to date with respect to developments. Pehle told Collado of the action which the Treasury had taken to hold up transfers out of the accounts of the Banco de la Nacion and the Banco de la Provincia. Collado called back at 3:05 to say that he had cleared with Bonsal, Duggan, and Acheson the Treasury's proposal to designate these two Argentine banks special blocked nationals, and he was waiting to see Stettinius on the matter. He also read to Pehle part of a draft of the cable to the American Embassy in Buenos Aires advising them of such action. Collado then stated that a new cable had been received from Armour that afternoon urging the tight freezing of Argentina and listing the reasons why such action should be taken. Pehle made arrangements to go over to

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State at 5:30 P. M. to read the cable which had not been paraphrased.

At 4:07 P. M. Collado said that he had cleared with Stettinius the Treasury's designating the two Argentine banks special blocked nationals. Stettinius, in approving this action, made the following three points:

- (1) He would like to have as little publicity as possible.
- (2) He was somewhat concerned lest the action cut across the President's "Directive" that Argentina should not be frozen as yet. (Collado convinced Stettinius that acting with respect to these two banks did not violate the President's "Directive").
- (3) He wished to have Treasury notified that the State Department reserved the right to ask the Treasury to lift the blocking of the two banks if at some point circumstances warranted such action.

The Federal Reserve Bank was immediately notified by telephone to advise banks holding accounts of the two Argentine banks that such banks had been designated special blocked nationals and that confirmatory messages would be sent. A wire was despatched to all Federal Reserve banks at 4:27 P. M. announcing the designation of the two banks as special blocked nationals. (Exhibit No. 8).

At 5:30 P. M. Laxford and Pehle went to Collado's office at State and read the latest cable from Armour, No. 2530 of October 27. (Exhibit No. 9). This cable is worth careful reading. It contains a very strong statement by Ambassador Armour urging the freezing of Argentina. State also received at that time cable No. 2526 of October 27, 1943. (Exhibit No. 10).

Collado seemed to be definitely weakening in his opposition to the proposed freezing. He said that he was arranging a meeting with Acheson and others in the Department and would call Pehle later in the evening.

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At 6:45 P. M. a telegram was drafted and sent to all Federal Reserve banks (Exhibit No. 11) suggesting that they discreetly contact banks and other financial institutions handling a substantial volume of Argentine business. The Federal Reserve banks were told to ask such financial institutions to be on the alert for any unusual transactions involving persons in Argentina. This telegram also requested that in the case of exceptionally important transactions, the financial institution concerned should be asked to delay execution while the Treasury was consulted by long distance telephone.

Pohle talked to Collado again at 8:50 P. M. Collado said there had been a meeting in the State Department, attended by Acheson, Luggan, and others, but that there was no agreement in the State Department on the issue, some of the people favoring the agreement and others still opposing. Collado said that while he did not think the issue was too important, he was leaning "60-40" in favor of freezing. Collado said that the cable from Armour was recognized as a very strong cable. He said that Dean Acheson said that "if another cable like that was received from Armour State would be in a hole it would never be able to get out." Collado said that the Treasury was now on very strong grounds in opposing the action. He also said that everyone was in agreement that, regardless of the recommendations of the State Department, the cable must be shown to the President the next day. Collado also said that he had received authority so that Treasury could clear with him the holding up of specific Argentine transactions for 24 to 48 hours while the matter was being settled. Collado also said that before Steffinius took the matter up with the President he would discuss it further with the Treasury.

Friday, October 23. At 12:25 Pohle summarized the day's Argentine transactions up to that time to Board of State and at 1:15 a complete statement of the transactions was dictated to Collado of State. Pohle asked that we be given clearance if possible by 2:30 P. M. on stopping such transactions. At 2:30 P. M. Pohle called Collado and was able to reach him at 2:45. Collado said no decision had

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been made, but that he was seeing Acheson in a few minutes and would call back as soon as possible. The transactions which State was advised of may be summarized as follows:

- (a) \$3,100,000 to be transferred from accounts of various BA banks to the Central Bank, and
- (b) \$1,235,000 to be transferred from various BA banks to other countries. (Included in this amount was the transfer of \$1,000,000 from the Central Bank of Argentina to the Central Bank of Sweden.)

At about 3:00 P. M. we were advised that the National City Bank in a telephone conversation with its BA office had been informed that the transfers to the Central Bank were being made upon instructions of the Central Bank; that the BA office of the National City Bank would shortly transfer an additional \$4,000,000 to the Central Bank; and that the BA office of the First National Bank of Boston would shortly be advised to transfer \$6,000,000 to the Central Bank.

At 3:15 there was a meeting in Mr. Bell's office attended by Bell, Mohr, Lutzend, and I at which the above situation was reviewed. During the meeting, Mr. Bell called Stettinius and brought him up to date. Bell pointed out the amount of transfers now pending and observed that we were losing ground rapidly. Stettinius said that he had received a cable from Cordell Hall supporting the position State had taken in opposition to freezing Argentina, but Stettinius felt in view of Aracur's cables and the Treasury's strong representations it was necessary to bring the matter to the President's attention again. Stettinius said he was sending a memorandum to the President that afternoon and suggested that the Treasury do the same. Stettinius also indicated that he agreed to the Treasury's holding up the transfers amounting \$3,100,000 to the Central Bank and the transfers amounting \$1,235,000 to the other countries. Instructions were dispatched to the New York Federal at 3:45 P. M. to this effect.

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A memorandum for the President was promptly drafted (Exhibit No. 12) and taken over to Miss Tulley at the White House by Pehle at 5:10. Judge Rosenman was waiting in the anteroom to see the President and Pehle showed him the cable from Armour recommending the freezing. Mr. Bell had asked Miss Tulley to hold our memorandum until Stettinius's memorandum was received so that the two memoranda could be sent to the President together.

Tulley called Bell at 5:20 and said that the President had approved the State Department's memorandum and that the Treasury should keep in touch with the State Department on the matter.

At 5:45 Stettinius called Hull and said that our memorandum had been given to the President; that Miss Tulley had called him from the President's desk asking where the State Department memorandum was; and that State's memorandum had since also been sent to the President. (Exhibit No. 13). Stettinius said that while in the discussions in the State Department during the day part of the State Department people had switched over to advocating the freezing of Argentina, after a meeting in Acheson's office the State Department representatives had again unanimously decided to oppose the freezing. Stettinius said he was disappointed in the memorandum which State had prepared and sent to the President.

During Friday afternoon we had also received internally from State, a copy of the cable No. 16<sup>th</sup> sent to Hull by Stettinius on October 24 concerning the proposed freezing of Argentina (Exhibit No. 14). This is the cable that prompted Hull's cable continuing his opposition to freezing Argentina.

The first gold shipment to Argentina ordered by the Central Bank, amounting to \$1,250,000, was delivered by the Federal Reserve Bank to the railway express company at 5:25 P. M. Friday. This shipment is scheduled to be loaded on the carrying steamer in New Orleans on November 2 or November 3, whichever is the sailing date. The delay in shipping this gold from New York was occasioned by a series of delays in the sailing date of the vessel and was not caused by Treasury action.

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Saturday, October 30: During the morning Stettinius called Bell and said a cable had been received from Armour indicating that the situation may have eased somewhat, but indicating that the Foreign Minister had sent for Ambassador Armour and asked why transactions of the two banks were being held up.

At 11:30 Pehle called Collado and brought him up to date on Saturday's transactions. He also confirmed that we were still holding the transactions from Friday which Stettinius had authorized Treasury to hold. Collado said that Stettinius was not clear on the fact that he had authorized the Treasury to hold up such transactions, but he would clear the matter with Stettinius. In the meantime we should continue to hold yesterday's transactions. With respect to the Saturday's transactions Collado said he had no authority to authorize the Treasury to hold Saturday's transactions and consequently such transactions would have to go through at the point when the banks became legally liable if they did not effect the transactions. On Saturday there was effected the transfer of approximately \$355,000 involving the flight of Argentine funds to other countries, principally Uruguay, and the transfer of \$6,000,000 from various BA banks to the Argentine Central Bank.

Monday, November 1: Pehle talked to Collado at 9:15 A. M. Collado said that he had discussed the Argentine matter further with Stettinius and that in view of the President's approval of the State Department's memorandum, Stettinius wanted the Treasury Department to release the transactions held up on Friday. Accordingly, instructions were issued to license such transactions. Collado referred to a number of despatches which had been received from the Embassy in Buenos Aires indicating some of the bases for its case, on the economic warfare side, for freezing Argentina. These despatches have been or are being sent to the Treasury and will be attached hereto as Exhibit No. 15).

With regard to Banco de la Nacion and Banco de la Provincia, Collado asked for information with regard to the balances of such banks in the United States, the transactions which they effected, or attempted to effect, during

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the past week, and similar information for a previous period. He also requested any adverse information which the Treasury Department had with respect to such banks. Pehle told him that we would get up the requisite information, but suggested that the Mission in Argentina also be requested to furnish background information on these banks.

(Initialed) R.E.F.