

MEMORANDUM FOR THE FILES:

January 22, 1944.

First meeting today with State Department concerning the freezing of Argentina.

State Department members present:

Treasury Representatives:

Mr. Bonsal
Mr. Swihart
Mr. Hiss
Mr. Baker
Mr. Hooker

Mr. Randolph Paul
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. Schmidt

Bonsal informed the group that the Secretary of State would issue a strong statement about noon on Monday indicating that this Government is not going to recognize the new Bolivian Government. The statement would tie up Argentina with the Bolivian revolution and would indicate the necessity for preventing similar developments elsewhere in this hemisphere. Hull would also announce that Armour and Boal will be recalled and that this Government is freezing the assets of Argentina.

Bonsal indicated that it had definitely been decided that we would not freeze Bolivia but just Argentina and, so far as he could see, the only points that needed to be discussed were the form and the time of the freezing.

With respect to the timing, Treasury representatives indicated that we could put the freeze into effect at the time the Secretary of State made his announcement, thus hitting them with everything at the same time. It was agreed that the press conference would be held Monday about noon and the general release on the freeze would be made at 12:30 p.m.

pk 56

Entry 312 M - General Release

Box 48

File: Argentina

Bonsal then asked when State might be in a position to see the Executive Order, whereupon a copy of the Executive Order was given to him. He indicated that the Order appeared satisfactory. A memorandum to the President was drafted by Treasury representatives to be signed jointly by the Secretary of State and the Secretary of the Treasury, indicating that the Executive Order had been cleared with the Attorney General and was ready for signature.

Bonsal then inquired as to what sort of a public statement should be made with respect to the freezing. Treasury representatives submitted a draft press release, commenting that it was not very satisfactory since it had been drafted sometime ago and was not as strong as was called for by the present situation. Possibly influenced by this comment, Bonsal and other members of the State Department were quite favorably impressed with the press release. Accordingly, after the assembled group had redrafted the last sentence, it was agreed that the release should be adopted. The question was discussed as to whether the release should be made by the White House and it was agreed that it should be a White House release but that the Secretary of State might read from it at his press conference.

Bonsal then suggested that a general license should be issued covering trade. The Treasury representatives pointed out that the real question was not whether there is to be a general license, but rather the manner in which commercial transactions are to be handled. By way of illustration it was pointed out that general licenses had been issued to Spain, Portugal, Sweden and Switzerland, but these licenses were designed to force the governments of these countries to assume responsibility for the transactions effected thereunder and that clearly this technique was not applicable in the case of Argentina. Attention was directed to the fact that licensing of commercial transactions by blanket licenses gave the Treasury and State greater freedom to alter its policies in the light of ensuing developments. It was pointed out that general licenses such as Nos. 32, 1, 2, 4, and 5 would all apply

to Argentine transactions but that General License 53 could not be applied without, in effect, negating the freeze. The primary question raised by Bonsal was whether we would be in a position to release our controls over trade without later issuing a general license which might lead the general public to feel that we were softening up on Argentina. He was assured that any desired relaxation could be satisfactorily accomplished.

Accordingly, it was agreed that Bonsal would clear the Executive Order, Press Release and the Memorandum to the President with the Secretary of State.

(Signed) Curtis A. Schmidt

January 22, 1944

MEMORANDUM FOR THE FILES

SECRET

Subject: Second meeting today with the State Department concerning the freezing of Argentina.

State representatives present:

- Mr. Acheson
- Mr. Swihart
- Mr. Baker
- Mr. Hiss
- and later,
- Mr. Boneal
- Mr. Luggan

Treasury representatives present:

- Mr. Paul
- Mr. Lehle
- Mr. Luxford
- Mr. DuBois
- Mr. Schmidt

Mr. Acheson opened the meeting by stating that the Food Board, the Shipping Board, and several other high governmental authorities had carefully considered the extent to which Argentine trade could be restricted. The Food Board was of the opinion that Argentina must be permitted to continue to furnish supplies to the United States and the United Nations. The Shipping Board was of the opinion that no change could be made in our trade with Argentina which would substantially reduce Argentina's ability to furnish wheat to Brazil and to England and other materials which are important in feeding the United Nations. Acheson indicated that our trade policy with respect to Argentina would be reexamined after the freeze in order to determine

whether any reduction could be made but that until such determination is made, there must be no substantial interference with Argentinian trade. Accordingly, the State Department felt that it was important that a general license be issued authorizing all Argentina trade transactions.

Acheson's attention was directed to the statement in the press release to the effect that transactions in the interest of the United Nations would be licensed and pointed out that it was not necessary to have a general license in order to accomplish his stated objective. Treasury representatives cited the fact that we had on several occasions licensed large amounts of trade transactions with facility by the process of giving full authority to the Federal Reserve banks and broad licenses to some of the large banks covering trade transactions. We also pointed out that a general license publicly announces our trade policy and, accordingly, cannot be changed with the same facility as blanket licenses to the banks, which are of a fairly confidential nature. Hence, should the Food Board and the Shipping Board, after re-examining the Argentine picture, determine that various categories of goods need no longer be allowed to move, the adjustment could be made more easily if no general license were outstanding.

Mr. Acheson countered by stating that the effectiveness of our action would depend in large measure on what the British will do and we could not really change our trade policy unless the British were willing to do likewise. In reply, Penle and Lurford pointed out that it would be much easier to get the British Government to take effective action if there were no outstanding public document licensing all trade between the United States and Argentina.

After some discussion, Mr. Paul indicated that the Secretary of the Treasury felt very strongly that a public general license should be issued authorizing trade with Argentina. The issue was then put squarely to Mr. Acheson; namely, that, inasmuch as trade could be handled without a public general license, we could not agree to the issuance of such a general license unless State told us that it was not otherwise prepared to freeze Argentina.

At this point Mr. Acheson left the room, saying that he preferred a general license but that he would consult Stettinius about it. After an absence of about 30 minutes Acheson returned, saying that he had talked with Stettinius and Hull and that the Secretary of State preferred a public general license but would agree to the freezing without a general license on the assumption that the Treasury Department would assume the responsibility for handling trade without a general license. In the event the latter course were followed, however, the Secretary of State felt that we should clear with Crowley, since both FEA and Treasury would then have a veto power over trade transactions. Acheson said he was assuming that we would not handle trade on a specific-license basis but would give blanket licenses to the important banks.

This matter having been settled, attention turned to the press release, and after some discussion it was agreed that the press release announcing the freezing should be issued by the White House and that the Secretary of State would focus attention on the White House release when he made his public statement about our non-recognition of Bolivia. State would clear with Stephen Early as to whether Hull would hand out the White House release or would refer the press to the White House for the handout.

It was agreed that the memorandum presenting the Executive Order to the President should be the short form originally suggested by Treasury and should not

have a statement about licensing trade which had been inserted by State after this morning's meeting.

17-10-52-21-1

January 24, 1944

MEMORANDUM FOR THE FILES

Subject: Developments of this morning concerning the freezing of Argentina.

Shortly after 9 o'clock an envelope was received from Secret Service containing the Executive Order signed by the President and the press release initialed by the President, the Secretary of the Treasury, and the Secretary of State. Mr. Pehle took the press release to Stephen Early at the White House after Mr. Gaston had talked to Mr. Early about it. Mr. Pehle also delivered the signed Executive Order to Mr. Maurice Latta, chief clerk of the White House, and made arrangements to coordinate during the day the actions of the State Department, the Treasury Department, and the White House. Mr. Early made several minor changes in the press release.

In view of the receipt of the signed Executive Order and in accordance with a previous decision, a telegram was dispatched at 10:07 a.m. to all of the Federal Reserve banks giving them the text of the Executive Order and the press release, advising them that the Order was to be issued about noon but cautioning them to take no action pending further notice.

Shortly after 10 o'clock Messrs. Pehle, Luxford, DuBois, and Schmidt met with Mr. Paul, who signed the public documents to be issued by the Treasury Department in connection with the freezing of Argentina. While the meeting in Mr. Paul's office was in progress, Stephen Early called Mr. Gaston and reported that he had received instructions to hold up the Executive Order and the press release since it was possible that no action might be taken.

Word of Mr. Early's call to Mr. Gaston had just been received by Mr. Paul when Mr. Bacon of the Secretary of State's office telephoned Mr. Paul to advise him that it was not clear that the Argentine freezing order would be released at noon, as had been planned, and that there might be a delay. When pressed for an explanation Mr. Bacon said that he could not give one but would call back within a half hour. Mr. Paul immediately advised Secretary Morgenthau of Mr. Bacon's call. A telegram was immediately dispatched to all Federal Reserve banks advising them that the release of the Executive Order might be delayed and stating: "Pending further notice, it is imperative that no advice be given and that no action be taken which would inform any of the banks or other institutions of the impending action." This wire was signed about 11 a.m. and sent immediately.

Shortly after 11 o'clock, Secretary Morgenthau called Mr. Paul and informed him: that he had talked with Stettinius; that Stettinius had been in touch with Armour, who had reported that Argentina was about to break with the Axis; that Stettinius had asked Secretary Morgenthau for his views as to whether to freeze anyway; and that in reply he had told Stettinius that he could not give a "horseback" opinion and he did not know the facts.

In the light of this additional information the matter was discussed by a Treasury group, including Mr. Paul, Mr. Gaston, and Mr. Bell.

Mr. Paul then (about 11:30) telephoned Secretary Morgenthau and advised him that, while we realized the political nature of the decision, it was the consensus of the Treasury group that any Argentine break with the Axis would be only taken in character and would be done for the purpose of strengthening the position of the present Argentine Government. Mr. Paul called the Secretary's attention to the fact that Jim Mann, in a report written in late September, had discussed the possibility that the Ramirez Government would make such a maneuver and had stated: "I seriously doubt that there will be any break. But if there is -- and it is possible -- I predict that it will be a hollow break with no attempt to curb the Axis financially."

Furthermore, I feel that with such a hollow break, we would be worse off than without it."

Just before 12 o'clock Secretary Morgenthau called back and informed Mr. Paul that he had discussed the matter further with Stettinius, that Stettinius had discussed the problem with the President, and that it had been decided that freezing action was not to be taken at this time.

A telegram was immediately sent to all the Federal Reserve banks advising them that the Executive Order would not be issued.

Orvis A. Schmidt