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Mar 5 1945

MEMORANDUM

Re: Argentine Safehaven Program

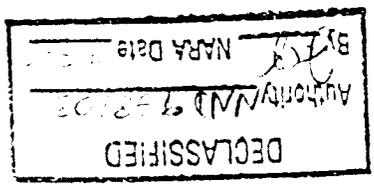
With its declaration of war and more particularly by the signing of the Act of Chapultepec, the Argentine Government has become a member of the United Nations and has undertaken to adopt and adhere to Bretton Woods Resolution VI, the Gold Declaration of February 22, 1944 and the United Nations Declaration of January 5, 1943. During recent years the Argentine Government has instituted certain measures which, if adequately administered, could serve to implement in part, the aforementioned Resolution and Declarations. However, the measures taken thus far are not only inadequate, but have not been satisfactorily administered. In view of the complex and technical character of the requisite control measures and their implementation, assistance in advising on, and evaluating the effectiveness of, Argentina's efforts in this field would seem clearly to require the services of persons well-versed in foreign funds control work.

Outlined below are the measures which the Treasury Department, on the basis of its experience in the field of enemy property control, feels that the Argentine Government must take if it is to discharge fully its obligations as an adherent to Bretton Woods Resolution VI, the Gold Declaration of February 22, 1944 and the United Nations Declaration on loot of January 5, 1943.

(1) ENEMY FIRMS. Although the Argentine Government has issued blocking decrees, they appear to provide numerous loopholes for evasion, either through inadequacy of scope or lax administration. Past reports from our Embassy have stressed the point that even where the Argentine Government has enacted decrees on paper, their loose interpretation has largely negated their effectiveness. For example, the intervention of enemy firms has thus far in effect been merely a hollow gesture, inasmuch as it has permitted these firms to continue their operations virtually unhindered and without any elimination of the enemy interests. This is extremely disturbing when we recognize that the ultimate objective of our Safehaven program with respect to enemy firms is to eliminate and destroy completely the Argentine decrees and the vagueness of many of the Argentine measures to date, it is not clear to what extent control is actually exercised over such essential aspects of freezing control as enemy assets held through Argentine "cloaks"; transfers of enemy assets through neutral countries to Argentina; transfer of assets from Argentina to enemy persons or firms in the neutrals; indebtedness by persons or firms in

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 OFFICE OF THE ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS
 DEPARTMENT OF THE TREASURY
 WASHINGTON, D. C.

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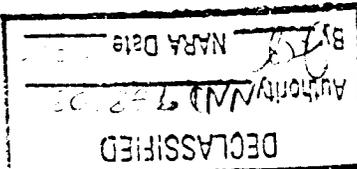
Argentina to enemy persons or firms abroad; patents, copyrights and royalty agreements redounding to the benefit of enemy persons and firms; funds, securities, gold and other assets held by enemy persons or firms in Argentina and not deposited in banks or other financial institutions; and many other relatively less obvious channels through which enemy assets can be concealed, dissipated or otherwise manipulated.

To achieve an effective freezing control, it is, therefore, evident that the controls must be so administered as to prevent the concealment or dissipation of enemy assets. This can best be accomplished by coupling the freezing controls with a comprehensive licensing program which will provide for close scrutiny of transactions involving enemy assets, prior to the consummation of such transactions. In this connection, the experience of our government with respect to the principles and policies necessary to an efficient and effective licensing program could be drawn upon by the Argentine Government.

(2) Census. In order to insure and enforce an effective freeze, the Government of Argentina should immediately conduct a detailed census of all assets, regardless of form, located in Argentina or held abroad through persons or firms in Argentina, which, or any interest in which, direct or indirect, is owned or controlled or held by, in behalf of, or in the name of, persons and firms who are nationals or residents of, or domiciled in, Axis countries or in countries at any time controlled by Axis countries. The term assets, as used in this connection, should include, but not by way of limitation, any real property or interest therein, enterprises (commercial, industrial, financial or scientific), securities, or interests therein, patents, trademarks, corporate and contractual rights, including management contracts, licenses and arrangements, insurance policies and reinsurance contracts, bank accounts and deposits, including trusteeship accounts, safe deposit boxes, vaults, checks, drafts, credits, gold and other precious metals, options and any other types of arrangements or undertakings, written or unwritten. Further in this connection, that the Government of Argentina provide that the penalty for failure to report fully or correctly will be sufficiently severe as to compel the submission of full and correct information even when large assets are involved.

It is important to note that a census is essential to an effective freezing control. The mere freezing of assets is inadequate because it restricts only those persons who want to operate their funds but does not affect those who are content to conceal and leave their assets undisturbed until the freezing restrictions are lifted. By requiring property reports, it forces persons holding enemy assets to make a decision - those who report must abide by the regulations; those who do not report are subject to penalties if they are detected. In the United States the Treasury Department instituted what is known as dual reporting. Thus the owner of the asset, as well as any person holding or having any interest therein, was required to report. In that way we obtained a more accurate census since any person who wanted to conceal

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his assets could never be certain that someone holding or having an interest in his assets did not report. In addition, in order to trace the transfer of property to avoid foreign funds control, reports were required as of two dates, June 1, 1940 and June 1, 1941.

In Argentina, of course, a more realistic selection of dates would be 1945 and 1940. In this connection, it is noteworthy that experience in the United States showed that enemy assets were being cloaked as early as 1937. Hence, it would be well if the Argentine Government were to require reporting as of 1937, at least with respect to certain categories of assets and transactions, such as sales of sizable interests by foreigners to persons in Argentina.

(3) Loans. The Government of Argentina should institute controls to prevent the importation of property that may have been looted (e.g. securities, gold, currency, etc.) and take effective measures to immobilize such assets already in Argentina, regardless of present ownership.

Treasury experience has indicated that its import control has been one of the most effective weapons in preventing the Axis from unloading its looted assets in the United States. Securities, currency, negotiable instruments, etc., which are the likely objects of looting were held in special accounts upon their importation into the United States. They were released by the Treasury Department only upon the basis of a very high degree of evidence establishing its true and lawful ownership. This technique has been extended to art objects and has proved to be very effective.

(4) Exchange of Information. Our experience has indicated that by pooling information the U.K. and the U.S. have been able to build up a case where without such pooling neither government would have had sufficient evidence upon which to base necessary action. Clearly, the fight against the Nazi post-war potential cannot be effectively carried out by any one country, but rather requires the cooperation of all. It should, therefore, be made clear to the Argentine Government that they can best promote the common effort by making available to us information concerning enemy property, transactions involving such property, and persons who may be assisting the enemy in its plans for the future. The information of this nature which has been found to be particularly helpful could be made the subject of future discussion with the Argentines.

(5) Investigative Program. An essential part of any effective freezing control is a comprehensive investigative program. Because of the well-known Nazi technique of cloaking, interlocking ownership, and other means of concealment, it is essential that trained and experienced personnel be available for conducting investigations.

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It is known that the largest Axis interests are cloaked through nominal ownership by persons of other than Axis nationality - usually neutral. Tracing the ownership of such interests requires a rigorous and extensive investigative program since good faith and cooperation of banks and other institutions in reporting Axis interests very often is not sufficient for the purpose of revealing the true ownership of a well-cloaked enemy interest. Thus, the Argentine Government, after instituting an effective freezing program, should investigate all suspicious cases including those referred to it as being in such categories by the United States.

In connection with the foregoing, it should be noted that the Government of Switzerland has agreed to adhere to Bretton Woods Resolution VI; to implement the Gold Declaration of February 22, 1944; has frozen the property of Axis (except Japan) and Axis-occupied countries; initiated a census of such property; prohibited dealings in specified foreign currencies; and has agreed to make available Safehaven information upon request. It is expected that the Swiss will take even further measures with respect to the Safehaven program.

Reports on the current Safehaven negotiations with Sweden are optimistic concerning the likelihood that the Swedes will adopt our Safehaven program as outlined above. It is hoped that we will encounter similar success with Spain and Portugal which will be approached in the very near future.

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