

II 28/1

DECLASSIFIED
Authority NWD 968103
By gix NARA Date 12-29-96

FOREIGN FUNDS CONTROL

To: Mrs R.R. Schwartz
(1) (Room) (Bldg.)
(2) (Room) (Bldg.)
(3) (Room) (Bldg.)

FOREIGN FUNDS CONTROL

To: Mr. Gewirtz APR 1 0 19
(1) (Room) (Bldg.)
Miss Scullen
(2) (Room) (Bldg.)
(3) (Room) (Bldg.)

Attached is the story on our conflict with State re the replacement program in Argentina. You suggested this memo for Davis to show to Spaeth. Two important cables on the subject are also attached.

I assume this matter is settled now.

From: Paul Gewirtz kg 3/12/46
..... (Date)
..... (Room) (Bldg.)

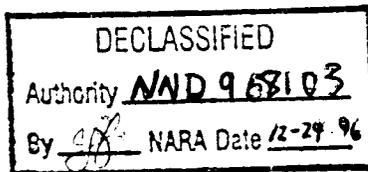
From: RRSchwartz 4/10/46
..... (Date)
..... (Room) (Bldg.)

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OFC of Alien Property
Foreign Funds Control
1942-6

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Folder Argentina Replacement

REPRODUCTION



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Arg. Replacement

MEMORANDUM FOR THE FILES

March 11, 1946

Subject: Argentine Replacement Program

(1) It will be recalled that in June 1945, as a result of the Argentine Government's informal request that enemy firms subject to Government administration be deleted from the Proclaimed List, our Embassy at Buenos Aires requested authority to license U. S. nationals to trade with such enemy firms during Government administration and control, and prior to sale, provided certain conditions were met; i. e. the corporate charter of the firm had been revoked, enemy personnel dismissed, etc. By reason of this request, this Government was confronted with the problem of how German property in Argentina might best be disposed of. Actually we were faced with a choice between (a) continuing to encourage the Argentines, in line with our past practice, to expropriate and sell Axis property, despite the fact that they had instituted a replacement program belatedly and had made no substantial progress at that time, or (b) staving off Argentine action and relying on vesting by the ACC of German external assets to accomplish our purpose.

(2) State Department, after lengthy consideration, proposed that a cable be sent to our Embassy, approving its request with a strengthening of the conditions under which the Embassy could issue authorization. State based its proposed action on the grounds that even should it be decided that the ACC should assert jurisdiction over German external assets in Argentina, the most prudent means would be the following: The Argentines would be informed that the ACC would claim all German business enterprises which had not been expropriated, liquidated or sold to satisfactory purchasers by a certain date, all the proceeds resulting from such liquidation and sales, as well as other types of German assets in Argentina; the Allied claim would be subject, however, to the satisfaction of Argentine war claims, if any. State argued that (a) it would be premature to stop the replacement program before it was definitely settled that German assets in Argentina could and would be taken over by the ACC; (b) Argentina had made good progress toward eliminating German-owned concerns; (c) the Safehaven resolution of the Mexico City Conference recognized the prior right of each of the American Republics to German property within their respective jurisdictions; and (d) the Argentines had been encouraged, and even pushed, by us into the replacement program. An abrupt reversal of our position would be difficult to justify on any grounds. Therefore, insisted State, the Embassy's request to license U. S. firms should not be denied on the ground that we might thereby be encouraging the Argentine nationalization program.

(3) Treasury objected to State's proposal and in its place submitted for despatch to Buenos Aires a cable along the following lines:

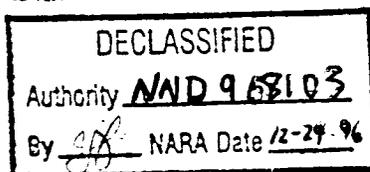
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(a) We are confronted with a choice between continuing to encourage the Argentine replacement program or staving off Argentine action and relying on vesting by the ACC. (b) We favor the latter course since that would permit direct supervision by the Allies of the disposition of German firms and assure that such disposition would be satisfactory to us. (c) To the extent that the Embassy could not adopt such program, however, the following course of action was recommended:

(i) All intervention of and liquidation proceedings against German property should be conducted with a view to preventing the dissipation of the assets of the firm and the proceeds of liquidation, which should be tightly blocked and held subject to the rights which the Allied Control Council would have therein;

(ii) Sale of German property, with or without prior expropriation, (a) should be at fair market value, the proceeds to be tightly blocked and held subject to the rights of the Allied Control Council; and (b) should be made to disinterested persons considered satisfactory by the Embassy. All management officials and personnel considered unsatisfactory by the Embassy should be dismissed and replaced by persons chosen by the Argentines but approved by the Embassy.

(iii) Expropriation proceedings should be conducted with a view to preventing the dissipation of the assets of the firm, and the property or fair value thereof should be subject to the rights of the ACC. All management officials and personnel considered unsatisfactory by the Embassy should be dismissed;

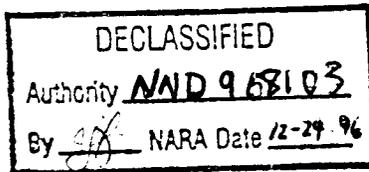
(iv) The Argentine Government should recognize the right of the Allied Control Council, at such time as a vesting decree is issued, to review all of the above-described proceedings instituted and to make claims in those instances in which it believes that assets have been unnecessarily dissipated--e. g. where fair market value for property has not been received or where full compensation is not delivered to the ACC for expropriated property. The Embassy should inform the Argentine Government that we do not consider that the Allied interest in German property is prejudiced by reason of any action which the Argentine Government may take against German firms.

(4) No action was ever taken on either State's or Treasury's proposal inasmuch as the Political Division of State insisted that no decision could be made until the political situation had been clarified.

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(5) The problem of whether or not to encourage the Argentine Replacement Program has now arisen again as a result of the Embassy's request to be authorized to present a note to the Argentine Government advising it that Proclaimed List firms nationalized by the Argentine Government would be deleted from the PL subsequent to sale to satisfactory purchasers.

(6) This proposal was discussed at the Proclaimed List meeting of March 4. Treasury argued that until it is decided what disposition will be made of German external assets in Argentina, we should not encourage the Argentine replacement program. Treasury pointed out that the request from the Embassy had come in prior to the Blue Book, wherefore the necessity for a reply was not clear. Moreover, having made the charge that German assets in Argentina were a threat to United Nations security and having attacked the trustworthiness of the board charged with nationalization, we could not proceed to encourage the Argentines to take over the assets. The Commerce representative felt that the Committee should regard this problem in the same manner as in any other Latin American country. He argued that it is the duty of the Committee to act on matters for which it is responsible without regard for developments outside its purview and that if the recommendation runs counter to the views of the State Department's Political Division, the Committee would, of course, yield its position. Therefore, he felt that the Embassy should be instructed to inform the Junta or nationalization body at the "appropriate time" that satisfactory reorganizations and sales would be followed by deletion from the Proclaimed List. The "appropriate time" was left vague but was apparently to be determined by the Embassy. State's position in this matter was identical with that of Commerce. It was then suggested by Treasury that Leroy Denman, who was shortly to join the Embassy in Buenos Aires, convey to the Embassy the gist of the conflict within the Committee with an indication that the Embassy should await clarification.

(7) Final decision was postponed at the request of Treasury.

J. Sevelen

Agreed at luncheon of Conference of April 9, 1946 that Treasury would accept State's view in the light of the terms which Argentine development have taken.

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