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DEPARTMENT OF STATE

DIVISION OF ECONOMIC SECURITY CONTROLS

JUN 20 1947

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TO : Mr. Orvis A. Schmidt, Associate Director,
Division of Monetary Research
Treasury Department

FROM : Warren A. Silver - ES

SUBJECT: Treasury proposal for approach to the Argentine Government on the Gold Declaration of February 22, 1944 in connection with current importations of gold from Argentina.

Treasury's memorandum dated May 22, 1947, a copy of which is attached, proposed that a cable be sent to our Embassy in Buenos Aires instructing the Embassy to approach the Argentine Government with a request for information as to their gold acquisitions from the Axis or from Axis occupied countries inasmuch as (1) Argentina intended to make shipments of gold totalling approximately 170 million dollars to the United States for earmark at the Federal Reserve Bank in New York; (2) it was assumed that Argentina would probably offer this gold for sale to the United States; and (3) under the Gold Declaration it is the policy of this Government not to purchase gold located outside of the territorial limits of the United States on the date of the declaration from any country which might have acquired Axis gold until the United States is satisfied that the gold was not acquired by that country after February 22, 1944 from the Axis or from countries which had not broken relations with the Axis.

It appeared from the cable proposed by Treasury that an approach to the Argentines was suggested by the imminent necessity of deciding whether, in compliance with its obligations under the Gold Declaration, Treasury could purchase any or all of the 170 million dollars to be sent to this country. It was believed in the Department, however, that the cable which had been sent by the Federal Reserve Bank of New York to the Central

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Bank of Argentina at Treasury's direction might have made it perfectly clear to the Argentine Government that only gold bars bearing United States Assay Office numbers would be accepted by the Federal Reserve Bank and thus Treasury would be adequately protected in the event gold bars not so marked were to be sent here. Mr. Watts of this Division called Mr. George Eddy of the General Counsel's Office on June 13 and was informed that the Federal Reserve cable stated in part as follows:

"Assuming that you will be shipping United States Assay Office bars, suggest that such bars be shipped to us in complete melts."

In the brief discussion which ensued regarding the possible adequacy of this cable, Mr. Watts was informed by Mr. Eddy that at least 50 million dollars, and perhaps more, of the expected 170 million dollars had already arrived in New York. Mr. Watts referred to the fact that the Argentine Government had removed from the United States to Argentina during 1946 230 million dollars in gold bars bearing United States Assay Office numbers all of which had been in this country on February 22, 1944 and suggested that inasmuch as the Federal Reserve cable had stated our assumption that the Argentine Bank would be shipping United States Assay Office bars, and the Argentine Government was sending to this country at this time only 170 million dollars in gold bars, it would be logical to assume that the entire 170 million dollars would be represented by gold bars which bear United States Assay Office numbers and which were in this country on February 22, 1944 and concerning which there is therefore no question.

Mr. Eddy responded that that was correct, that there was no doubt whatsoever that this gold was satisfactory, and that the gold was even being shipped to this country in the same barrels in which it was removed last year.

If there is no question with respect to the gold presently being shipped to New York, it then appears clear that Treasury is faced with no problem with respect to its purchase. That being the case, Treasury's proposed demarche upon the Argentine Government involves a much broader question than satisfactory adherence by the United States to its Gold Declaration of February 22, 1944, namely, the entire subject of whether or not Argentina has acquired looted gold.

The Gold

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The Gold Declaration was adhered to by Argentina, as by a number of the other American republics, through its adherence to the Final Act of the Inter-American Conference on Problems of Peace and War, Mexico City, February-March 1945 in which the principle of the Gold Declaration was re-affirmed in Resolution XIX. Any approach along the line suggested by Treasury would involve the question of Argentine compliance with Article XIX of the Final Act of Mexico City. It is believed, particularly in view of the President's announcement of June 3, that an approach would not be warranted unless convincing evidence were available that Argentina had acquired looted gold.

Attachment:

Draft cable to Argentina.
proposed by Treasury.

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