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By <u> </u> NARA Date <u> </u>

EXHIBIT 4

DEPARTMENT OF STATE
WASHINGTON

December 24, 1942

My dear Mr. Secretary:

Further reference is made to your letter of November 10, 1942 submitting certain comments and proposals concerning this Government's policy toward Argentina.

Your letter requests full information concerning the entire Argentine economic program in order to permit the integration of Treasury controls with the rest of that program. Accordingly, I am attaching, as enclosure no. 1, a memorandum setting forth our Argentine economic policy.

Your letter also refers to the following measures which the Treasury Department has taken in order to implement the Argentine ad hoc freezing program:

1. The Treasury Department's letter of October 22, 1942, which contained the names of sixty-four persons and firms in Argentina having an unsatisfactory rating and summarized reports of their activities.

2. The Treasury Department's letter of October 30, 1942 proposing that ad hoc freezing be applied to approximately one hundred and eighty individuals in Argentina reported to be closely connected with Proclaimed List nationals.

3. The Treasury Department's letter of October 31, 1942 proposing that certain exchange houses in Argentina be subjected to ad hoc freezing.

4. The Treasury Department's letter of October 31, 1942 proposing the application of ad hoc freezing to the Banco de

The Honorable

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Henry Morgenthau, Jr.,

Secretary of the Treasury.

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la Nacion, the Banco de la Provincia, Pascual Hermanos and the revocation of licenses issued by the Treasury Department in 1941 authorizing Shaw Struony Compania to be treated as a generally licensed national.

With respect to the suggestion under (1), this Department took steps to convene a committee, representing the Treasury Department and this Department, to deal with the proposal that these persons and firms be subjected to ad hoc blocking. In a letter of November 7, 1942 this Department confirmed the action taken by the committee and indicated that in certain cases a report from the American Embassy in Buenos Aires was desirable before proceeding with ad hoc freezing. After receiving the views of the Embassy, this Department, in a letter to Mr. Pehle dated December 3, 1942, stated that it had no objection to the application of ad hoc freezing in these cases.

With respect to item (2), this Department, in a letter of November 24, 1942, approved the adoption of the Treasury Department's proposal in all but five cases and indicated the basis for withholding approval in the latter cases.

With respect to the suggestion under (3), in a letter dated November 16, 1942, this Department presented the considerations which, in its judgment, rendered the proposed freezing of the exchange houses undesirable. For your convenience, a copy of that letter is attached as enclosure no. 2.

With respect to the suggestion under (4), a consideration of all of the factors involved, including the uncertainty regarding the objectives which the proposed action would achieve and the serious disadvantages cited in Ambassador Armour's telegram of November 24, has led to the conclusion that the proposed freezing of the Banco de la Provincia and the Banco de la Nacion would not be desirable at this time. For your information, a paraphrase of the Ambassador's telegram is attached as enclosure no. 3.

This Department concurs in the suggestion that Pascual Hermanos be subjected to ad hoc freezing. With respect to

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the proposal to revoke the licenses issued to Shaw Strupp, the Embassy in Buenos Aires has informed the Department that its recommendations are being sent by air mail and that the complexity of the case requires full consideration of the facts before action is taken. Accordingly, this Department wishes to suspend action regarding Shaw Strupp pending the receipt of the Embassy's report.

With respect to the Treasury Department's letter of October 30, 1942 submitting a proposed general ruling which would exclude transactions between persons in Europe and persons in the American republics from outstanding general licenses, this Department, in a letter dated November 5, 1942 submitted a request for information which it considered necessary for an informed consideration of that proposal. Upon receipt of this information, this Department will inform you of its views as soon as possible.

Your letter also suggests that our Embassy and consular staff should be made thoroughly familiar with the functions and purposes of the ad hoc program and should be requested to compile, on the basis of the information available to them, a list of those Argentine entities and accounts which should, in their judgment, be subjected to ad hoc freezing action. You also suggest that this Department should advise the Treasury of other cases in which it believes ad hoc freezing action would be desirable.

Our Embassy in Buenos Aires has been fully informed of the functions and purposes of ad hoc freezing. This has been done by special missions sent to that Embassy, by conversations with the Ambassador during his recent visit to the United States, by conversations with Mr. Mervin Bohan, Commercial Attache, during his recent visit to the United States, and through the school conducted by the Treasury Department and this Department which Mr. Bohan and Mr. Warren D. Robbins of the Embassy staff attended. Moreover, Mr. James Mann, formerly of the General Counsel's staff of the Treasury Department, and Mr. Byron Skelton, recently assigned to the Embassy at Buenos Aires, have been fully informed on this subject. Finally, all of our missions in the other American republics have been instructed to report all indications of pro-Axis

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tendencies and transactions. These reports, which are in large measure the basis of Proclaimed List or ad hoc freezing action, are made available to the Treasury Department. Nevertheless, this Department will be glad to submit formal instructions to the Embassy and the Consulates in Argentina re-delineating the purposes of our ad hoc program and the missions' responsibilities thereunder.

In accordance with your request, this Department will advise the Treasury Department of any persons, firms and accounts in Argentina which, on the basis of available information, appear to be eligible for ad hoc freezing action.

Control over a very substantial proportion of potentially harmful Argentine transactions is already being exercised through the Proclaimed List and ad hoc program. It is recognized that the area of control could, as you suggest, be expanded by the issuance of an order freezing all Argentine nationals, accompanied by appropriate general licenses. The mere extension or intensification of control would, however, not be an automatic solvent of the many problems and difficulties in our relations with Argentina. The benefits which might be achieved by expanded controls must, of course, be weighed against the probable repercussions of such action on our total relations with Argentina. This Department, although in wholehearted sympathy with your objectives, is of the opinion that the adoption of your proposal would involve disadvantages disproportionate to the benefits which might be achieved. Such action might well drive Argentina closer to the arms of Hitler and might well result in an elimination or reduction of such cooperation as has been forthcoming from Argentina.

In lieu of the control through a general freezing order, the Treasury Department has proposed the following:

" . . . arrangements be made with the Office of Censorship so that all financial communications between the United States and Argentina will be examined and the information contained therein forwarded to this Department, and, in case of communications relating to the more important transactions, that the contents of such communications will be received by this Department in advance of their transmission to destination. By

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utilizing the information thus obtained from Censorship, and from other sources concerning Argentine transactions, this Government would be in a position to single out those transactions which appear to be of an undesirable character, and require the American banks or institutions which are parties to such transactions to hold up their execution until we obtain further information as to the nature of the transactions."

Presumably, such arrangements would be effected by confidential instructions to United States banks.

This Department endorses both an examination by the Treasury Department of communications involving Argentina after the delivery of the communications and a complete questioning of United States concerns regarding the executed transactions involved. Such action should serve to clarify the nature of Argentine financial transactions which are not now subject to United States controls without endangering our relations with Argentina. However, for the reasons which follow, this Department regrets that it cannot approve the proposal that projected Argentine transactions be held up pending an investigation by the Treasury Department.

By private instructions to United States banks, the whole basis of Argentine-American financial transactions would be radically altered. Accordingly, transactions which in the past have been completed without difficulty would, without any previous public notice, be suspended pending an investigation by the Treasury. Considerable confusion, inconvenience, and irritation would undoubtedly result from the Treasury proposal. Moreover, the Argentine authorities and financial interests would soon become aware of the new control.

This Department is of the view that the institution of the proposed censorship arrangement suffers from the same political objections which are applicable to the proposal for freezing Argentina by a general order accompanied by appropriate general licenses. Indeed, the Argentine reaction to this arrangement might be even sharper because of its surreptitious character and because of the absence of the certifying mechanism afforded by the general licenses.

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The Argentine policy is receiving the continuing attention of this Department. If it should appear desirable to this Department, from the standpoint of our total Argentine policy, to strengthen financial controls applicable to Argentina, you will, of course, be promptly informed.

Sincerely yours,

For the Secretary of State:

(signed) Dean Acheson

Dean Acheson
Assistant Secretary

Enclosures:

1. Memorandum, dated December 15, 1942, "Argentine Economic Policy".
2. Copy of letter to Mr. Pehle, dated November 16, 1942.
3. Paraphrase of telegram from Buenos Aires, November 24, 1942.