

NOV 26 1943

MEMORANDUM FOR SECRETARY'S DIARY

At 9:30 a. m. Wednesday, November 24, 1943, there was a meeting in Secretary Hull's office to discuss the freezing of Argentina. The following were present:

From the State Department

- Secretary Hull
- Assistant Secretary Berle
- Mr. Collado
- Mr. Duggan
- Mr. Bonsal

From the Treasury Department

- Secretary Morgenthau
- Mr. Paul
- Mr. White
- Mr. Kehle

Secretary Morgenthau handed to Mr. Hull a letter (Exhibit A attached) which describes recent transactions in Argentine accounts and the continued efflux of Argentine gold from the United States. The letter also refers to the fact that Treasury has not received a reply to its memorandum to the Secretary of State of November 12, transmitting a proposed reply to the inquiry of Congressman Schiffler, who has since introduced a bill (H. R. 3696) authorizing the seizure of property being used to aid any nation at war with the United States. Secretary Hull read Secretary Morgenthau's letter aloud.

Secretary Morgenthau then inquired whether Under Secretary Stettinius was available since certain of his comments would be critical of Stettinius. Stettinius was sent for but was found to be at home ill and Secretary Hull asked that we proceed in his absence. Secretary Morgenthau then said that he thought that the cable (No. 1644, October 24) which Stettinius sent to Hull at Moscow was very unfair in stating that the purpose of the Treasury in advocating the freezing of Argentina was the upsetting of the present Argentine Government. Secretary Morgenthau made it clear that the Treasury was advocating the freezing of Argentina on economic warfare grounds and the question of whether any government should be overthrown was for the Secretary of State to determine. Secretary Hull then said: "I would like to see the present government of Argentina overthrown".

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 Entry 352 m - General Counsel
 B. 2. 1
 File: Argentina

Secretary Morgenthau then summarized the case for freezing Argentina and pointed out that the facts were in the possession of the State Department and Ambassador Armour. He pointed out that Argentina had made specific commitments at the Rio conference held in January 1942 and that Argentina had not lived up to its commitments. When asked to comment on the matter, Mr. Berle said that freezing of Argentina would constitute but a minor gain on the economic warfare front whereas its political aspects were quite disturbing. He said that several Latin American governments had expressed themselves as being very worried about our taking strong action against Argentina. Secretary Morgenthau then pointed out that our failure to act against Argentina when the other Latin American governments in Argentina were cooperating with us had a bad effect on the other governments.

Assistant Secretary Berle then said that the situation had not worsened any in Argentina but that the Argentine Government had merely continued to fail to take affirmative measures to support our war effort. Berle pointed out that Armour in his recent cables had made it quite clear that while the Argentine Government for sometime has been aiding the Axis by failing to cooperate with the United States in economic warfare matters, more recently the Argentine Government has been actively aiding the axis by making loans to German business enterprises through the banks which it controls, insisting that Argentinians deal with such business enterprises, giving large government contracts to notorious German concerns, etc.

At this point Secretary Hull said that perhaps we should consult with the other principal Latin American Republics to see if they would be willing to publicly approve this Government's freezing Argentina and to the extent possible take similar action themselves. Mr. Hull said he felt this would be worth doing, even though he was afraid the Latin American governments would "duck out" of taking any such measures. There was some discussion as to whether the proposal to be put up to some of the other Latin American countries should include giving the Argentine government and perhaps the central bank a general license. Secretary Morgenthau suggested that the proposition which should be

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- 3. The British do not believe there would be any substantial gains on the economic warfare front by the United States freezing Argentina.

Secretary Morgenthau said that it would be helpful if the matter were discussed a little more frankly, at which point Mr. Bonsal said he agreed with the British position. Secretary Morgenthau added that he would like to see the matter put up to the British in writing with a request for a written reply so that the record will show whether the British are willing to follow a parallel policy in this matter.

As the matter was left, Secretary Hull concurred in approaching the principal Latin American countries and the British on the proposal that Argentina be frozen and general licenses be issued on the same basis as is the case with Portugal, Spain, and the other European neutrals. If we are not able to obtain any concurrence in such action, particularly from the other Latin American countries, we can then ~~consider~~ examine what action should be taken. We will also examine the monitoring system proposed by State. Collado handed Pehle several memoranda describing the proposed monitoring plan and also indicating in some detail the basis for the State Department's position. Copies of such memoranda are attached (Exhibit B).

(signed) J. W. Pehle

J.W.P.

(Initialed) R.E.P.

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Total pages--13

Copy No. 15

SECRET--SECURITY
By Auth. A. C. of S., G-2
Date 13 December 1943
Initials C. W. C.
GS

War Department
Office of Assistant
Chief of Staff, G-2
13 December 1943

"MAGIC" SUMMARY
No. 627

EXCERPT

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D. PSYCHOLOGICAL & SUBVERSIVE

1. Berlin; Buenos Aires: On 11 November the (101796
 German Chargé in Argentina was advised that Foreign 104242
 Minister von Ribbentrop had decided to send him a GAW)
 certain amount of gold, most of it in the form of gold
 bars, to be used for the purpose of procuring infor-
 mation. The Chargé was asked how much gold he thought
 he would use over the period of a year. His reply, which
 is dated 17 November, has now come to hand. It includes
 the following statements:

a. "Because of the almost hermetic seclusion
 of Argentina from the rest of the Continent, be-
 cause of the discord with the United States, and
 also for other reasons, it is becoming constantly
 more difficult to maintain news connections here."

b. "The shipment and use of gold are under
 a strict surveillance, and I should therefore
 like to know how you plan to send the gold."

c. "Although transactions in gold are still
 free, there are certain practical difficulties
 of exchange. Moreover, a change in the regulatory
 laws might be made at any time. Accordingly, the
 gold would have to be converted immediately into
 paper pesos."

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d. "I shall need the equivalent of three hundred thousand paper pesos [75,000] to begin with."

For the Assistant Chief of Staff, G-2

Carter W. Clarke

CARTER W. CLARKE
Colonel, General Staff
Chief, Special Branch, M.I.D.

LTS

SECRET--SECURITY



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