

RG 56, Entry 69A7584.
Treasury - Asst. Secy. for
Internat'l Affairs, Div. of
Monetary Research, Box 1.

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 27 1942	
FBI - WASHINGTON	
By	DATE
<i>[Signature]</i>	11/27/42

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11-2-42 ✓

My dear Mr. Secretary:

Further reference is made to your Department's letter of October 11, 1942, in which certain specific measures were suggested for consideration by this Department in connection with the implementation of the Argentine program referred to in such letter.

The development of a satisfactory Argentine program in the financial field has been the subject of considerable discussion for many months between representatives of your Department and representatives of this Department. As you know, this Department has been contending for a long time that Argentine financial transactions subject to our jurisdiction should be placed under our supervision and control through the issuance of an order freezing generally all Argentine nationals, accompanied by an appropriate general license. A method of exercising supervision and control of Argentine financial transactions generally, without the issuance of a public freezing order, has also been informally suggested to your Department for consideration. Inasmuch as your Department has objected to such an overall control of Argentine transactions, a series of specific measures were suggested to your Department for consideration designed to enable this Government to obtain more complete information concerning Argentine nationals and transactions and to control Argentine financial transactions in so far as possible on an ad hoc basis.

The specific measures which have now been approved by your Department and which are described in items (1), (2) and (3) of your letter are designed to implement, in part, the ad hoc program which this Department suggested for the consideration of your Department, in the event that your Department did not approve an overall control of Argentine financial transactions. This Department has taken the following action with respect to those measures described in your letter:

(a) By letter dated October 22, 1942, we forwarded to your Department the names of over 60 persons and firms in Argentina having unsatisfactory ratings according to the records of the World Trade Intelligence Division of your

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Department, together with a summary of certain information concerning the undesirable activities of such persons and firms. It was recommended in the letter that these persons and firms be subjected to ad hoc freezing action immediately and be given immediate consideration for inclusion in The Proclaimed List. These cases were discussed at meetings attended by representatives of both Departments, and your Department approved the immediate application of ad hoc freezing action to all of these persons and firms. Appropriate instructions have been issued to the Federal Reserve Banks ordering that such persons and firms be ad hoc blocked. For your information in connection with the procedure employed in taking such action, there is enclosed a copy of Confidential Circular No. 158A to all Federal Reserve Banks and a copy of a telegram dated November 2, 1942, sent to such Banks.

(b) By letter dated October 30, 1942, we forwarded to your Department the names of over 130 individuals in Argentina who are closely connected with firms on the Proclaimed List, and recommended that such individuals be subjected to ad hoc freezing action immediately.

(c) By letter dated October 31, 1942, we forwarded to you a list of exchange houses in Argentina, which as reported by the Embassy in Buenos Aires, have continued to deal in dollar currency transactions in the black market. We recommended that these firms be subjected to ad hoc freezing action immediately.

(d) By letter dated October 31, 1942, we recommended the application of ad hoc freezing action to Banco de la Provincia, Banco de la Nacion, and Pascual Hermanos and recommended action with respect to Shaw Strupp and Company which would enable this Department to supervise the transactions subject to our jurisdiction which are engaged in by such firm.

With respect to item (4) of your letter, this Department by letter dated October 30, 1942, submitted for the consideration of your Department a proposed general ruling which excludes transactions between persons in Europe and persons in the American Republics from outstanding general licenses and requires that before any such transaction may be engaged in, it must receive the specific approval of the Treasury Department.

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With respect to the country-by-country analysis of TFR-300 data, referred to in your letter, you are advised that such an analysis has been under preparation for some time, and as soon as such an analysis is completed with respect to any particular country in Latin America, it will be furnished to you.

You state in your letter that the Argentine program which has been developed is designed to prevent, within the limits of our control, economic operations beneficial to the Axis. It is the view of this Department that the program described in your letter is not designed to adequately prevent such operations. This program is not even designed to enable this Government to effectively prevent on ad hoc basis, insofar as that is possible, undesirable financial transactions subject to our jurisdiction which are engaged in by persons within Argentina. Thus, the program described in your letter contemplates the control of transactions through the application of ad hoc freezing action to certain persons and firms in Argentina against whom we have evidence indicating that they may be engaged in undesirable activities and to certain accounts held by persons and firms in Argentina with respect to which we have evidence indicating that they may be used for cleaking operations. Your program does not envisage the control on an ad hoc basis of individual transactions, which may be inimical to this country's war effort, but which may be engaged in by persons and firms within Argentina or through accounts held by persons and firms within Argentina, with respect to which persons, firms or accounts we do not have at present sufficient information to warrant ad hoc freezing action on the basis of the standards set forth in your letter.

In order to give the fullest possible effect to an ad hoc program which is designed to deal with the problems involved, it is essential that all sources of information relating to Argentine nationals and transactions be utilized and that this Government be in a position to stop any particular transaction engaged in by any person or firm in Argentina, if the evidence obtained from such sources of information indicates that such transaction may be detrimental to our war effort. In this connection, it has already been suggested to your Department for consideration that 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 utilizing the information thus obtained from Censorship and from other sources concerning Argentine transactions,

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this Government would be in a position to single out those transactions which appear to be of questionable character, or the desirability of which is not definitely established, 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.

In any event, it is, of course, clear that the success of any program, which is designed to deal with financial transactions engaged in by persons within Argentina on an ad hoc basis rather than on an overall basis, is necessarily dependent upon the ability of this Government to obtain adequate information concerning persons within Argentina engaged in undesirable activities and concerning undesirable transactions subject to our jurisdiction engaged in by persons within Argentina, and to obtain this information in ample time to prevent these undesirable activities subject to our control. It is equally clear that under existing circumstances the primary sources for obtaining this information is through the representatives of our Government stationed in the field, in particular the offices and personnel of our Embassy and Consulate staffs in Argentina. In this connection, it may be noted that the evidence concerning the Argentine persons and firms referred to above, on the basis of which this Department recommended that ad hoc freezing action be taken, was obtained primarily from information contained in the files of your Department and furnished through our Embassy and Consulate in Argentina.

In the light of the above, it is believed that the following steps are desirable in connection with the administration of the ad hoc program described in your letter, and these steps are recommended for your consideration:

(1) Our Embassy and Consulate staffs in Argentina should be made thoroughly familiar with the functions and purposes of the ad hoc program described in your letter and should be requested to compile lists, on the basis of the information available to them, of those Argentine persons, firms, and accounts which should in their judgment be subjected to ad hoc freezing action.

(2) The State Department should advise the Treasury Department of those persons, firms, and accounts in Argentina which, on the basis of all the information available to the State Department, the State Department believes should be subjected to ad hoc freezing action.

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This Department will, of course, continue to advise your Department of those cases in which, on the basis of information available to this Department, it is believed that ad hoc freezing action should be taken.

This Department desires to cooperate fully with your Department in the implementation of the Argentine program referred to in your letter. This Department strongly recommends, however, that additional measures be adopted so as to enable this Government to more adequately supervise and control Argentine transactions. If your Department is still of the opinion that an overall control of Argentine transactions is not desirable, it is suggested that immediate consideration should at least be given to the adoption of such additional measures as may be necessary in order to give the fullest possible effect to an ad hoc control of Argentine transactions.

This Department is more strongly of the view today than before that Argentine financial transactions subject to our jurisdiction should be subjected to an overall supervision and control. It is, of course, impossible to adequately prevent initial financial transactions subject to our jurisdiction which are engaged in by persons within a foreign country such as Argentina through a procedure whereby such transactions are freely permitted unless this Government has already obtained positive information, prior to the time they are engaged in, indicating that they should be examined. Any program which is fully adequate in this respect must be based on the premise that transactions are prohibited unless this Government is furnished with full information concerning such transactions and is satisfied that such transactions should be approved. Since the time that this Department recommended in May, 1942, the issuance of an order freezing generally all Argentine nationals (accompanied by an appropriate general license), the information which has come to the attention of this Department concerning Argentine activities, including the information contained in the confidential report submitted by Messrs. Cochrane and Heltsor with respect to certain problems in Argentina, more than confirms the views of this Department as to the necessity of such an overall control.

It is understood that the principal objection to a public order freezing ~~Argentine~~ Argentine nationals, which was raised by representatives of the State Department at the meeting held in May, 1942, to consider this matter, was the contention that such an order would have an adverse effect on certain friendly groups in Argentina and on our good neighbor policy in general. In view of developments since that time, including certain public statements made by representatives of the State Department, is it not desirable that the issues involved in the matter in question should now be thoroughly reconvened?

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recognizing the political considerations involved in this matter, I am of the opinion that this Government can not justify its failure in this case to take steps designed to adequately prevent transactions, subject to our jurisdiction, which are engaged in by persons within a country maintaining diplomatic and commercial relations with the enemy and which might be detrimental to our war effort.

Very truly yours,

Secretary of the Treasury.

The Honorable

The Secretary of State.

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