II 19/1

original

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. Pehle

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".

RG 56
Entry 352 M - General Counsel
Box 8
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 at the Washington conference held in July 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. Pehle 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 would include giving the Argentine Government and perhaps the central bank a general license. Secretary Morgenthau said that the proposition which would be

put up to such governments would be to treat Argentina just as the United States is treating the European neutrals who have been frozen and then given general licenses.

Collado then said that the State Department had called Merle Bohan, Economic Counsellor of our Embassy in Argentina, to the United States for consultation and that Bohan, who had advocated freezing a few weeks ago, now felt that the time had passed for such measures. Bohan advocated instead that we tell the Argentine Government that Treasury would consider unfreezing Banco de la Provincia and the Banco de la Nacion if the Argentine Government would give this Government broad undertakings on the economic warfare front. Bohan does not believe the Argentine Government will give us such undertakings, in which case the State Department would be prepared to ask Treasury to introduce a monitoring system on Argentine assets in the United States. Collado said that the monitoring system would accomplish the same ends as freezing Argentina with a general license to the Argentine Government and possibly a general license on trade. Secretary Morgenthau said that Treasury would be glad to give State's suggestions on a monitoring system consideration but that just as the decision on the political aspects were for State, we assumed that State would want our views as to the type of freezing control which should be applied.

There was then some discussion of whether the British would be willing to take parallel action against Argentina. Mr. Bonsal said he had discussed the matter with British representatives here and the British had made three points:

1. They would feel very badly if we froze Argentina without consulting them, since the British say they have been trying to follow a parallel policy with respect to Argentina.

2. In view of the exchange controls now applicable in the United Kingdom on Argentine assets there would be little to be gained by Britain taking similar action.

I-19/4

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 canvas 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

Init. H.D.W.

(Initialed) R.E.P.