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Arg. Replacement

MEMORANDUM FOR THE FILES

Compliance Section December 12, 1945

Subject: Argentine Replacement Program.

Mr. Daniel Ryan of the Embassy at Buenos Aires called today to discuss recent developments in the Argentine replacement program. Present from Treasury were Mr. Klitman and Miss Scullen. The following are high lights of Mr. Ryan's comments:

(1) The recent newspaper articles, reporting the resignation of the Argentine Enemy Property Board because of government interference in its work against the Staudt interests, are substantially true. Mr. Ryan explained that the Board recently, after considerable study, recommended to the Foreign Office that action be taken against the Staudt interests in Argentina. The Foreign Minister (formerly attorney for Staudt), whose concurrence was necessary for the action, refused to agree to this action, however, and subsequently protested to the Minister of War the position taken by the Argentine Enemy Property Board, headed by Colonel Olano. The Minister of War then instructed Colonel Olano either to take orders from its superiors or to resign. As a result, Colonel Olano resigned. The Government was unable to find a man competent to take over Colonel Olano's job inasmuch as those eligible were convinced that the Staudt interests should be taken over by the Government. Therefore, Peron interfered in the work of the Argentine Enemy Property Board and ordered Colonel Olano to resume his position or he, Peron, would strip him in the Army. Colonel Olano has resumed his position as head of the Argentine Enemy Property Board and apparently no action will be taken against the Staudt interests. Mr. Ryan further indicated that it was widely believed in Argentina that Staudt was contributing to the Peron campaign fund and he also mentioned that Ricardo Staudt, head of the firm, had made the statement that before his firm was touched he would break every man in the Argentine Enemy Property Board.

(2) There are several other cases in addition to that of Staudt in which the Argentine Government has interfered to protect certain German interests. The persons involved are usually connected politically and socially with Colonel Peron.

(3) Although the Argentine replacement program is still far from satisfactory, it is extremely difficult to find fault with the program as developed in the past eight months. Mr. Ryan compared the situation to the case of a carpenter who agreed to build a two-story house; one story was completed and the carpenter was continually promising to finish his work but you had no way of knowing whether this would be done. The Argentines have taken all necessary preliminary steps to an effective replacement program and are on the verge of taking the final action. Whether or not this step will be taken, however, is of course entirely unknown. Based on past Argentine performance, it is cer-

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tremely difficult to believe that the Argentines will shortly take the last necessary steps. However, you cannot charge Argentina with sabotaging the replacement program and your criticism must rest on past noncooperation, present stalling tactics, and the few flagrant cases you have of political intervention in the replacement program.

(4) With regard to the actual mechanics of the program, as soon as a firm is intervened management and directors are dismissed. In the case of the German banks, the manager and directors were dismissed as soon as liquidation proceedings began and have not been absorbed by other local companies. There is no replacement of German technicians contemplated. However, if the Americans insist that certain individuals be dismissed, the Argentines will undoubtedly agree to take the action. Present interventors in the German firms are satisfactory to the U. S. There is no evidence that they are connected with the German interests.

(5) Mr. Ryan seriously doubted that the case against Argentina could be supported to any great extent by economic warfare material. He indicated that he had personally told Mr. Braden that the case should rest primarily on the internal political situation in Argentina.

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