

Allied Relations and Negotiations With Argentina

A. *The Beginnings of Argentina's Neutrality*

At the outset of World War II, in September 1939, Argentina announced a position of "prudent neutrality" toward the belligerents. Its action was based on several factors: freedom of action in its relations with European nations was the keystone of Argentina's foreign policy traditions; its neutrality during World War I had been domestically popular and made the Argentine economy prosper; it wanted to revitalize its economy after the disastrous impact of the Great Depression; and it saw itself as a counterweight in the south to the United States in the north. Although Argentina agreed at the Havana Conference in 1940 that an attack on any American state would be considered an act of aggression against all American states, it insisted that any action undertaken in response to an attack was a matter for each state's individual interpretation.

After the Japanese attack on Pearl Harbor and the U.S. entry into the War, Argentina had another chance to define its attitude toward hemispheric solidarity. It accepted the resolution of the Rio Conference of Foreign Ministers of the American Republics in January 1942 calling for the severance of commercial and financial relations with the Axis powers and the Final Act of the Inter-American Conference on Economic and Financial Controls held in Washington the following July, obligating the American Republics to end all commercial intercourse, direct or indirect, with the Axis.¹ In both cases, however, Argentina failed to conform. Argentine leaders evidently believed that Argentina would suffer economic distress and diminished power if it became involved in a destructive extra-hemispheric war.²

Argentine neutrality collided directly with U.S. objectives toward Latin America. Policy-makers in Washington, in exchange for renunciation of intervention in Latin America, expected the Latin American nations to join with the United States in transforming the Pan American system into a collective security organization that would regard an attack on one as an attack on all, and to coordinate a unified response. For U.S. policy-makers, the continuing dilemma in Argentina was how to compel an American state to change its position without violating the principle of non-intervention. Argentina's neutrality was much less disturbing to Britain. From early in the War, the British Government attempted to persuade the United States to distinguish between Argentina and the other American Republics, rather than treating the hemisphere as a unit. British willingness to tolerate Argentine neutrality was based on its dependence on Argentine meat shipments, which increased as the War went on.³

Nazi Germany supported Argentina's neutrality. German-Argentine affinities arose from several sources, including historic military ties, an extensive network of German-owned businesses, export-import firms and banks in Argentina, and over a quarter of a million Germans living there. Nazi activities began in Argentina in the early 1930s and continued throughout the wartime period, even after Argentina severed relations with Germany in early 1944. Although Nazi Germany's strategic motives in Argentina were unclear, its economic motives were clear. Germany desired to keep Argentina neutral for both commercial and financial advantages, and possibly as a destination for looted gold. After September 1939 German agents traveled freely in Argentina and distributed lavish bribes to ensure continued Argentine neutrality, and after early 1942 they sought to transform Argentina into the Third Reich's intelligence and covert

¹ The principles of inter-American solidarity and cooperation against the Axis were worked out at the Second Meeting of the Foreign Ministers of the American Republics, held at Havana, July 21-30, 1940; the Third Meeting of the Foreign Ministers of the American Republics held in Rio de Janeiro, January 15-28, 1942; and the Inter-American Conference on Economic and Financial Controls meeting at Washington, June 30-July 10, 1942; see *Foreign Relations*, 1940, vol. V, pp. 180-256, and *ibid.*, 1942, vol. V, pp. 6-47, 58-73, and 453-514

² "Outline of Inter-American Economic Activities and Their Official Agencies," October 30, 1942, National Archives and Records Administration, College Park, MD [hereafter cited as NARA], RG 169, Records of the Foreign Economic Administration, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared by the Division, Box 4; memorandum from Henry Morgenthau, Jr. to the Acting Secretary of State, November 2, 1943, NARA, RG 56, Records of the Department of the Treasury, Acc. 69A-7584, Legal Staff Records, Box 1.

³ Telegram to London, December 30, 1942, NARA, RG 59, General Records of the Department of State, Decimal Files 1940-44, Box 2758.

warfare platform in the Western Hemisphere. Nazi activities in Argentina included smuggling of products useful to the war effort, such as platinum, industrial diamonds, and liver extract; subsidizing pro-Axis newspapers; cloaking of Nazi assets by German-owned firms; gathering commercial and military information about the Allies; and supporting pro-Axis Argentine military officers.⁴

B. U.S. and Allied Policies Toward Argentine Neutrality

During the War, all the American Republics except Argentina stood with the United States against the Axis, providing diplomatic, economic, and, in some cases, military assistance and cooperation. Secretary of State Cordell Hull took special pride in acknowledging the wartime efforts of the Latin American countries that provided the United States and its Allies with vital strategic materials and severed diplomatic and commercial relations with the Axis. The efforts included economic warfare cooperation with the United States in preventing supplies from reaching Germany and the other Axis powers, in complying with the U.S. "Proclaimed List," which prohibited dealings with firms working with the Axis powers, and in instituting necessary controls over financial transactions involving Germany and the other Axis nations. These nations also took steps to prevent clandestine trade with Germany in vital commodities such as industrial diamonds and platinum, to rid themselves of Axis agents and propaganda operations, and in some cases to cut communications with Germany and establish censorship procedures. Argentina undertook none of these cooperative wartime steps, despite U.S. efforts until late in the War.⁵

Until early 1944 no Argentine regime deviated in any fundamental way from the national policy of neutrality. Secretary Hull continued to believe that Argentine policies left the Americas unguarded on a vulnerable flank and that unless the country could be closed to Nazi subversion, espionage, and financial machinations, the Hemisphere's security remained in jeopardy. He also believed that the Argentine people favored the Allied cause and that they could be induced to prevail upon their government.⁶ He adopted a policy of coercion toward Argentina, instituting numerous forms of diplomatic, public, and economic pressure (e.g., denying Lend-Lease aid and military assistance and instituting and tightening a system of export/import controls). On the issue of freezing all Argentine assets, however, he was reluctant to go as far as the Treasury Department desired. There were at least two considerations that acted as a brake on Hull's policy decisions: concern within the State Department that a more coercive policy might alienate other Latin American republics and raise the issue of intervention in an obtrusive way, and the fact that a more coercive policy hinged on full British cooperation, which was never forthcoming.

The determination of a succession of Argentine regimes to remain outside the inter-American effort against Germany was countered by continuous U.S. diplomatic and financial efforts to draw Argentina out of its neutrality. By the end of 1942, Argentina's stance made it a leading focus of the Treasury Department and the Board of Economic Warfare.⁷ Of particular concern during the War years were the activities of German firms and banks in Argentina. Among the German firms operating in Argentina were Bayer, Anilinas Alemanas, and Toosca, all subsidiaries of the chemical and pharmaceutical giant, I.G. Farben; Staudt and Co., producer of agricultural products; and Siemens Schuckert, producer of electrical goods. German firms received aid from the Argentine Government in the form of easy credit and

⁴ "Totalitarian Activities – Argentina Today," June 1943, NARA, RG 60, Records of the Department of Justice, Antitrust Division, Economic Warfare Section, Box 18; Ronald C. Newton, *The "Nazi Menace" in Argentina, 1931-1947* (California, 1992), pp. 26-28, 37-87.

⁵ Cordell Hull, *The Memoirs of Cordell Hull*, vol. II (New York, 1948), pp. 1377-1426.

⁶ *Ibid.*, vol. II, pp. 1377-1378, 1382-1383.

⁷ "Outline of Inter-American Economic Activities and Their Official Agencies," October 30, 1942, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared by the Division, Box 4; memorandum from Morgenthau to the Acting Secretary of State, November 2, 1943, RG 56, Acc. 69A-7584, Legal Staff Records, Box 1. The Board of Economic Warfare, established in July 1941 as the Economic Defense Board (the name changed on December 17, 1941), oversaw the U.S. export and import program, advised the State Department on Lend-Lease negotiations, and coordinated the U.S. economic warfare program and facilities with those of the Allies. In July 1943 the Office of Economic Warfare assumed the functions and duties of the BEW, which was terminated. Executive Order 9380 of September 25, 1943, established the Foreign Economic Administration, which unified several wartime government economic activities, including those of the Office of Economic Warfare, into one agency in the Executive Office of the President.

frequent contracts.⁸ Moreover, Germany's need for cash in Argentina was easily met by German firms, which frequently turned over their profits to German espionage organizations in Argentina in return for equivalent credits in Reichsmarks in Germany.⁹ The two German banks in Argentina, Banco Aleman Transatlantico and Banco Germanico, like the German firms, were able to maintain communication with Germany directly or through other neutral countries throughout the War. Despite their access to German financial institutions and direct financial assistance to German firms, however, the two German banks in Argentina neither held looted gold nor concealed assets.¹⁰

The Treasury Department also suspected that early in the conflict Argentina made substantial amounts of foreign exchange available to the Axis countries, accepted the entry of large amounts of looted currency and securities into its markets, and allowed German firms to cloak their assets.¹¹ The Department of State had evidence in December 1942 that Germany was using Argentine financial institutions in extortion schemes aimed at Jews living in Europe. Selected Jews could have a sum of Argentine pesos transferred to one of the two German banks in Buenos Aires as ransom for permission to emigrate from Germany.¹² A report released in June 1943 by the Federal Bureau of Investigation described how Buenos Aires served as the Western Hemisphere outlet for U.S. bank notes that had been looted in occupied Europe and entered into commercial traffic in Switzerland.¹³

C. Argentina As a Center for Axis Smuggling

Unlike the European neutrals, Argentina did not have a particular, major resource or specific commodity that Germany needed to sustain its war machine. Rather, small amounts of a variety of scarce materials reached Germany clandestinely from Argentina during the War. The Board of Economic Warfare (BEW) noted in June 1943 that "Buenos Aires is one of the most important focal points for the shipping of contraband to Europe," and its blockade enforcement manual contained numerous confirmed and unverified reports of the smuggling of platinum, industrial diamonds, and other raw materials via Buenos Aires and various South American ports to Europe.¹⁴ A confidential study by the Foreign Economic Administration

⁸ For a list of leading German companies in Argentina and their products, see Argentine Blue Book, *Consultation Among the American Republics With Respect to the Argentine Situation*, February 1946, pp. 57-58. A copy is in RG 59, Argentine Blue Book, 1946.

⁹ Robert Murphy to the Secretary of State, Interrogation of Walter Schellenberg, November 24, 1945, *ibid.*, Entry 1088, Miscellaneous Affidavits and Interrogation Reports 1945-1946, Box 23.

¹⁰ "Special Investigation of Nazi Economic Activities in Argentina," January 1, 1946, and "German Banks and Miscellaneous Report of Investigation of Available Archives" (Enclosure No. 6 to "Special Investigation"), January 1, 1946, both *ibid.*, Entry 1091, Memorandums on the Preparation of the Argentine Blue Book 1945-1948, Box 29.

¹¹ Memorandum for the President by Randolph Paul, October 25, 1943, NARA, RG 131, Records of the Office of Alien Property, Foreign Funds Control, Subject Files, Box 19.

¹² Edward Reed to the Secretary of State, Buenos Aires, December 14, 1942, RG 59, Decimal Files 1940-44, [Decimal] Box 5609. There is no evidence that Argentina remained associated with the Nazi extortion schemes after Secretary of State Hull expressed U.S. unhappiness to the Argentine Government in January 1943; see Hull to U.S. Embassy, Buenos Aires, January 5, 1943, *ibid.*

¹³ "Totalitarian Activities—Argentina Today," June 1943, NARA, RG 60, Records of the Department of Justice, Antitrust Division Economic Warfare Section, Box 18.

¹⁴ Board of Economic Warfare, "Blockade Enforcement Manual," June 1943, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 1. Additional evidence of smuggling via Argentina is in "History of Blockade Division, Enforcement Section," December 15, 1944, and "Blockade, Bargains and Bluff: Allied Economic Warfare in the European Neutrals," undated, both *ibid.*

The materials were often "camouflaged" among non-contraband commercial products shipped from Buenos Aires on Spanish ships to Spanish ports, where they were picked up by German agents. See intercepted diplomatic messages between Buenos Aires and Berlin, dated July 6, August 28, and October 21, 1942, in NARA, RG 457, Records of the National Security Agency/Central Security Service, Historic Cryptographic Collection, Diplomatic Message Translations, Boxes 377, 375, and 351, respectively; see also "Magic" Diplomatic Summaries, May 21 and December 25, 1943, *ibid.*, "Magic" Diplomatic Summaries, 1942-1945, Boxes 5 and 8, respectively. These messages were intercepted and decrypted by

(FEA) in October 1943 showed that materials being smuggled from Argentina to the Axis included platinum, palladium, drugs and other chemicals, iron, steel, and steel wire, as well as U.S. currency.¹⁵ A postwar official British study of the Allied economic blockade during World War II concluded that insulin, liver extract, industrial diamonds, incandescent wire, and skins and hides were also brought to Europe in Spanish or Portuguese ships via Argentina and other South American countries and then forwarded to Germany. Most of these smuggled materials were produced at the time by German firms in Argentina.¹⁶

Platinum smuggling illustrates the problem. Axis Europe produced virtually no platinum, which was used for electrical, chemical, and dental purposes. The BEW estimated Germany's annual platinum requirement at about 600 kilograms. Colombia produced about 6 percent of the world's total platinum production. The official U.S. buying price in Colombia in early 1943 was \$1.13 a gram, but the black market price in Buenos Aires was \$7 a gram, and it reached \$11 a gram in the Iberian Peninsula. A portion of Colombian production was purchased illegally and smuggled to Argentina, where it was sold to German agents, shipped on Spanish ships to Spanish ports, and then transported to Axis-controlled territory by other German agents. The BEW estimated that 50 to 100 kilograms of platinum destined for German agents in Spain were smuggled out of Argentina during 1942.¹⁷ Apparently, this flow did not diminish until late 1943. In the fall of that year, the British Navy intercepted a number of Spanish ships on the high seas sailing from Buenos Aires, escorted them to Gibraltar, and discovered they were carrying contraband platinum, liver extract, and other goods hidden in false bottoms of falsely manifested boxes. Seizures such as these led the German Foreign Office in Berlin, in consideration of neutral Spain, to advise its Chargé in Buenos Aires to discontinue temporarily the shipment of undeclared or falsely declared goods, and to instruct the German purchasing agent in Latin America, Buecker, to halt further purchases of these materials.¹⁸

Industrial diamond smuggling followed a similar pattern. Unlike platinum, however, valuable industrial diamonds, used for precision instruments and high-speed metal drills, were easily concealed on the persons or in the luggage of pro-Axis or cooperative ship captains and crew members. The BEW estimated that Germany's annual requirement was between 500,000 and 2 million carats, and that in 1939 it had a stockpile of 1 million carats. Germany had to make up any shortfall through smuggling. Most diamonds of industrial quality in the Western Hemisphere were produced in Brazil, where the black market price fluctuated between ten to twenty times the commercial price of \$1 per carat. In November 1942 the U.S. Consul General in Sao Paulo estimated that as high as 30 percent of Brazilian diamond production was being smuggled to Buenos Aires for shipment on Spanish ships to Spain, where the black market price was thirty to sixty times the commercial price. The U.S. Embassy in Madrid reported an estimated flow of as high as 1,000 carats a week illegally moving into Spain for pickup by German agents. This flow apparently also diminished toward the end of 1943.¹⁹

In an overall assessment of smuggling activity written in December 1944, the Foreign Economic Administration concluded that German smuggling activity from South America had diminished by the

U.S. authorities and available to U.S. leaders. For additional information on Spanish ships engaged in smuggling operations, see the chapter on Spain below.

¹⁵ "Analysis of Smuggling Activities of 70 Suspected Firms and Individuals in United States, French North Africa, Neutral European Countries," NARA, RG 165, Records of the War Department General and Special Staffs, Regional File 1922-44 (Spain), Box 2924.

¹⁶ W.N. Medlicott, *The Economic Blockade*, vol. II (London, 1959), pp. 438, 440; "Signed Statement by Irmgard Haube," January 30, 1946, RG 59, Argentine Blue Book, Entry 1088, Miscellaneous Affidavits and Interrogation Reports 1945-1946, Box 24; Affidavit, Walther Becker, February 5, 1946, *ibid.*, Box 23.

¹⁷ Board of Economic Warfare, "Blockade Enforcement Manual," June 1943, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 1.

¹⁸ This information was based on intercepted messages decrypted by U.S. authorities and available to U.S. leaders, "Magic" Diplomatic Summary, December 25, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 8. See also *New York Times*, November 10, 1943, p. 5, c 3.

¹⁹ Board of Economic Warfare, "Blockade Enforcement Manual," June 1943, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 1; "A Country by Country Summary of Recent Developments in the Blockade Enforcement Program," September 1943, *ibid.*, Box 5.

winter of 1943-1944, and had virtually ceased by the end of 1944. The decline was reflected in the sharp drop in black market prices in Buenos Aires for materials such as platinum and industrial diamonds. The FEA attributed the virtual cessation of smuggling to a variety of reasons, including the rupture of relations between Argentina and Germany in January 1944 and more effective contraband control measures. It also acknowledged, however, the possibility that Germany had smuggled an ample supply of these materials during 1943 or had discovered better alternative sources.²⁰

D. U.S. and Allied Wartime Policies Toward Argentina's Trade With Germany

Contraband control was only one aspect of the export/import control system worked out by the State Department and the Board of Economic Warfare between the fall of 1942 and the spring of 1943.²¹ State and BEW agreed on broad economic policy objectives for Argentina: to control U.S. exports of critical materials to Argentina; obtain maximum amounts of Argentine materials critical to the Allied war effort; permit Argentina to acquire sufficient goods and materials from the United States to make the latter possible; secure Argentine cooperation in preventing use of its territory as a base for Axis subversive activities; and prohibit use of Argentine financial, trade, and communication facilities by the Axis. The two agencies, however, had differing perceptions about implementation. BEW favored "a normal hard-headed trading approach" divorced from political objectives, while State sought to use economic pressures to achieve political objectives, doubting the efficacy of punitive measures that might entrench Argentina's position, stoke anti-Americanism in the Hemisphere, and undermine hemispheric solidarity on security matters. BEW was also concerned about Argentine economic retaliation that could damage the Allied war effort and have a deleterious long-term effect.²² Correspondence between the two agencies concerning implementation appear to have ended by early 1944 after Argentina severed diplomatic relations with Germany. After Argentina declared war on the Axis in late March 1945, State informed the FEA on April 11 that, "In future allocation and licensing decisions Argentina should be treated on an equal basis with the other American Republics."²³

As early as July 1942, President Franklin Roosevelt had imposed trade and financial controls on transactions by German citizens and businesses in the Western Hemisphere by authorizing the "Proclaimed List of Certain Blocked Nationals," which prohibited dealings with individuals and firms in the Americas whose activities were considered hostile.²⁴ Almost immediately after the United States entered the War, Treasury Secretary Henry Morgenthau, Jr. had proposed to freeze all assets of Argentina. In May 1942 Morgenthau presented evidence to President Roosevelt that numerous Argentine companies were cloaking German funds in the United States and that Argentina had recently sent over \$1,000 to the United States in looted currency. The President, however, continued to follow the advice of Secretary of State Hull, who felt that a freeze on Argentine assets would do little to thwart that country's economic relations with the Axis but rather would hamper important trade between Argentina and the United States and its Allies, force Argentina closer to the Axis, and hurt America's Good Neighbor policy.²⁵

After repeated requests from Treasury to impose a freeze on Argentine assets, the State Department agreed in October 1942 to limited, ad hoc blocking of selected Argentine accounts. Treasury

²⁰ "History of Blockade Division, Enforcement Section," December 15, 1944, *ibid.*, Box 1.

²¹ For a description of how the system evolved, see N.R. Danielian, "Background of the Argentine Economic Policy," August 27, 1943, *ibid.* See also "An Evaluation of United States Policy Toward Argentina," attached to a memorandum from Stone to McCamy, October 28, 1943, *ibid.*

²² BEW, "Preliminary Report of Committee on Argentine Policy," May 15, 1943, *ibid.* Memorandum for the Secretary's Diary, November 26, 1943, RG 56, Entry 352M - General Counsel, Box 48; Silver to Schmidt, June 20, 1947, *ibid.*, Acc. 66A-155, Country Files, Box 33, Argentina. Regarding the difficulties that U.S. officials encountered in defining U.S. policy toward Argentina, see Glasser to Collado, July 30, 1945, RG 131, Foreign Funds Control, Subject Files, Box 386.

²³ Telegram 2802 to London, April 11, 1945, NARA, RG 84, Records of the Foreign Service Posts of the Department of State, Embassy London, General Records, 1945: 610.21-690, Box 312, Folder 631.

²⁴ Valley to Shick, December 5, 1944, RG 56, Entry 193A, Central Files of the Office of the Secretary of the Treasury 1951-1966, Box 127.

²⁵ "Argentina Memorandum (Preliminary Draft)," October 16, 1943, RG 131, Foreign Funds Control, Subject Files, Box 19.

quickly moved to block transactions with over 150 individuals and firms in Argentina.²⁶ The State Department later explained that the ad hoc blocking program was a means of targeting entities that were not yet on the Proclaimed List but were believed to be engaging in financial, trade, or other operations on behalf of enemy interests. Ad hoc blocking was not intended to be a permanent status but a temporary designation before a business or person was either placed on the Proclaimed List or cleared.²⁷

Following a year of ad hoc blocking, in October 1943 the Departments of State and Treasury prepared a joint memorandum for the President outlining their respective positions concerning U.S. policy toward Argentina. Treasury recommended that Argentina be added to the list of nations subject to general freezing controls, basing its position on the failure of ad hoc blocking to halt the availability of foreign exchange to the Axis or to stop German firms in Argentina from cloaking their assets to escape freezing controls. State continued to argue against imposing general freezing controls. In June 1943 the conservative Castillo government in Argentina had been overthrown by a military coup, and the State Department concluded that any stronger economic and financial constraints on Argentina would only strengthen the pro-Axis factions in the new Ramirez government. Weighing the respective arguments of the two agencies, President Roosevelt refused to authorize the full freeze of Argentine individuals and firms but wished the matter to be reviewed "every week or two."²⁸

The possibility of taking sterner economic actions against Argentina was also undermined by differences between the United States and Britain, which had substantial investments in Argentina and maintained much more important commercial relationships with that country than did the United States. Wartime Britain became even more dependent on imports from Argentina, especially meat. Britain ostensibly supported U.S. efforts to overcome Argentina's neutrality and bring it into line with the general Western Hemisphere coordination against the Axis, but maintained reasonably cordial relations with Argentina and was unwilling to support a general embargo. Unlike the United States, Britain seemed content with Argentina's neutrality, which offered protection for meat shipments against German U-boat attacks.²⁹ Concerns about its food supply made Britain unwilling to act with the United States against the current Argentine military government. In August 1943 the British Ministry of Food concluded an agreement to purchase the entire exportable surplus of Argentine meat for two years, ending September 30, 1944, and continued to oppose any policy that might lead Argentina to retaliate by restricting foodstuffs to Britain.³⁰ It is also likely that the British Government viewed the pursuit by the United States of Pan-Americanism as a mean of extending U.S. influence in Latin America, and, in the case of Argentina in particular, to the detriment of British interests there. At Secretary Hull's request, President Roosevelt even sent a personal message to Prime Minister Churchill as part of the effort to distance Britain at least diplomatically from Argentina, but to no avail.³¹

In 1944 U.S. efforts to thwart German-Argentine commercial relations were given a new impetus by Argentine involvement in the December 1943 overthrow of the Bolivian Government by right-wing

²⁶ Ibid. For the dates of Treasury's lists of proposed blocked firms and individuals, see Dean Acheson to Henry Morgenthau, December 24, 1942, RG 56, Acc. 69A-7584, Legal Staff Records, Box 1.

²⁷ Secretary of the Treasury to the Secretary of State, November 2, 1942, *ibid.*

²⁸ Roosevelt to Stettinius, October 26, 1943, *ibid.* A detailed summary of discussions between State and Treasury in the last week of October is in Paul to Morgenthau, November 1, 1943, *ibid.* According to intercepted messages decrypted by U.S. authorities and available to U.S. leaders, Argentina, in order to strengthen its position vis-à-vis the United States and other countries, attempted to obtain warships and war materials from both Germany and Japan. ("Magic" Diplomatic Summaries, July 22 and October 28, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Boxes 6 and 7, respectively)

²⁹ Memorandum for the President by Randolph Paul, October 25, 1943, RG 131, Foreign Funds Control, Subject Files, Box 19; telegram to London, December 30, 1942, RG 59, Decimal Files 1940-44, Box 2758.

³⁰ George Gazzara to Sims Carter, "Highlights on the Present Argentine Situation With Regard to the United States," September 14, 1944, RG 60, Antitrust Division, Economic Warfare Section, Box 17; Medlicott, *The Economic Blockade*, vol. II, p. 463.

³¹ The U.S.-British exchanges over Argentine policy are described by Secretary Hull in his *Memoirs*, vol. II, pp. 1409-1419. Regarding British economic interests in Argentina and U.S.-British disagreements over wartime policy toward Argentina, see *Foreign Relations*, 1944, vol. VII, pp. 251-252, 288-290.

nationalist forces.³² Armed with evidence that the Argentine military regime had sponsored the overthrow and was plotting similar coups in other South American countries, the United States took several measures to escalate pressure on Argentina to break relations with the Axis, including sending ships from the South Atlantic fleet to the vicinity of Buenos Aires, moving to freeze Argentine assets, and threatening to publish evidence of the Argentine Government's machinations against its neighbors and attempts to strike a secret arms deal with Germany.³³ Secretary Hull stated that he had previously been unwilling to recommend a general freeze on Argentina previously because Argentina "was just waiting for a pretext to incite some of the other countries in Latin America to set up pro-Axis governments."³⁴ Hull's decision for sanctions against Argentina came soon after receiving a message from Treasury Secretary Morgenthau requesting the Department of State to reconsider its position on Argentina. Morgenthau stated that the U.S. position from the perspective of economic warfare was becoming more and more "ludicrous."³⁵

The persistent U.S. measures to pressure Argentina to break relations with the Axis, in conjunction with other developments such as the changing German military situation, had their intended effect. On January 24, 1944, as U.S. Ambassador Norman Armour informed the Argentine Foreign Minister of the proposed issuance of an amended Executive order freezing Argentine assets in the United States, the Foreign Minister told the Ambassador that Argentina was about to break relations with the Axis and requested that the United States refrain from any measures that might appear coercive. Two days later the government of President Ramirez, citing evidence of a growing Nazi espionage ring in Argentina, announced it was severing formal diplomatic relations with the Axis powers.³⁶

Despite the Argentine announcement of January 26, as early as February 12 the Department of State was "forced to the conclusion that the Argentine Government is very far from having actively initiated the sort of house cleaning which is essential if this Government and the other American Republics are to conclude that Argentina is sincerely on our side." The Department was concerned not only about Argentine commercial relations with Germany but about continuing German espionage and propaganda activities and Argentine reluctance to curb them.³⁷

E. The Safehaven Investigation in Argentina

By 1944 the United States and its Allies were growing increasingly concerned that Germany was seeking to move assets to the neutrals, including Argentina, in an effort to lay the basis for a resurgent Nazi state after Hitler's inevitable military defeat. The Safehaven program aimed at identifying and thwarting these efforts by Germany. Strained U.S.-Argentine relations hampered early investigations of German

³² For evidence of the German-Argentine-Bolivian link prior to and immediately following the overthrow, see three messages intercepted and decrypted by U.S. authorities and available to U.S. leaders, "Magic" Diplomatic Summaries, August 29, 1943, Box 7, and April 5 and 23, 1944, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 10.

³³ Michael J. Francis, *The Limits of Hegemony: United States Relations With Argentina and Chile During World War II* (Notre Dame, 1977), pp. 208-212; Robert A. Potash, *The Army and Politics in Argentina, 1928-1945: From Yrigoyen to Peron* (Stanford, 1969), p. 231.

³⁴ Memorandum for the Files by J.W. Pehle, January 12, 1944, RG 56, Acc. 69-A7584, Box 1.

³⁵ Henry Morgenthau to Cordell Hull, January 8, 1944, *ibid.*

³⁶ Franklin Roosevelt, Amendment of Executive Order No. 8389 of April 10, 1940, as amended, January 24, 1944, RG 131, Foreign Funds Control, Subject Files, Box 19; memorandum for the Secretary's Diary, November 26, 1943, RG 56, Entry 352-M, General Counsel, Box 48, Argentina; memorandum from Morgenthau to the Acting Secretary of State, November 2, 1943, *ibid.*, Acc. 69A-7584, Legal Staff Records, Box 19; *Foreign Relations*, 1944, vol. VII, pp. 231-235. The freezing orders were signed by President Roosevelt on January 24, but were canceled in light of Argentina's assurances that it would break relations with the Axis; see John Morton Blum, *From the Morgenthau Diaries: Years of War, 1941-1945* (Boston, 1967), p. 202. The reasons behind Argentina's action, as explained by an unnamed Argentine official to German Chargé Meynen, are in an intercepted message decrypted by U.S. authorities and available to U.S. leaders, "Magic" Diplomatic Summary, February 5, 1944, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 9. The break also followed the British arrest of Oscar Hellmuth, a German-born Argentine, who was traveling to Europe to negotiate an arms deal with Germany; see Newton, *The "Nazi Menace" in Argentina, 1931-1947*, pp. 285-314.

³⁷ Telegram 266 to Buenos Aires, February 12, 1944, *Foreign Relations*, 1944, vol. VII, pp. 249-250.

assets in Argentina. In late February 1944 Argentine President Ramirez delegated his powers to General Edelmiro Farrell. Colonel Juan D. Peron, a close associate of Farrell, soon became Vice President. The change in power came less than a month after Ramirez' January 26 announcement of the breaking of diplomatic relations with the Axis, leading the State Department to attribute Farrell's accession to extremist, pro-Axis forces within Argentina.³⁸

The United States refused to recognize the Farrell government, recalled Ambassador Norman Armour from Buenos Aires in June, and put some pressure on the other American Republics to withhold recognition.³⁹ The State Department's Office of American Republic Affairs believed that U.S. actions risked serious damage to the Good Neighbor policy and were akin to chasing a "phantom," and the British Government, regretting that the United States did not consult with it more closely before deciding to withhold recognition, was unhappy with the turn of events. Nevertheless, Hull insisted that Argentina must fulfill all the promises it made about de-Nazifying Argentina when it broke relations with Germany. Between August and November 1944, he introduced additional sanctions against Argentina (e.g., freezing over \$400 million in Argentine gold stocks; ordering a deep cut in export licenses for chemicals, steel and lumber exports to Argentina; forbidding U.S. ships to touch Argentine ports after October 1).⁴⁰

In mid-September, the Farrell government responded by announcing Argentina's withdrawal from the Montevideo Committee for the political defense of the continent, formed at the Rio Conference in January 1942.⁴¹ The Argentine Central Bank thereafter provided little help to U.S. investigators in locating German assets. The record of the October 1944 Proclaimed List Meeting went so far as to state: "It is extremely doubtful whether we will discover in Argentina any extensive evidence of concealed enemy assets."⁴²

Between August 16 and October 10, 1944, Samuel Klaus, an official of the Foreign Economic Administration, led a group of FEA, State Department, and Treasury Department officials to London, Stockholm, Lisbon, and Madrid to assess the possibilities and problems in perfecting a "Safehaven" program to uncover German external assets in the neutral nations. In September 1944 the Klaus mission looked into the possibility that Spanish banks were assisting the movement of looted monetary gold to Argentina.⁴³ Klaus' report on his mission concluded that Spain's financial organization made it possible for Germans to carry out transactions and transfers from Spain to Argentina as well as to Tangier and Portugal.⁴⁴ By January 1945 evidence against Argentina provided by the Klaus mission and other government investigations, combined with Argentina's location in the Western Hemisphere and influence on hemispheric security, led the FEA to declare it in some respects "the most critical Safehaven country."⁴⁵

Secretary Hull's resignation in November 1944 and his replacement by Edward Stettinius brought about a change in U.S. wartime policy toward Argentina. Under the new regime, the State Department's hard line began to change. It was now perceived as harmful to prospects for a viable United Nations organization and was overtaken by planning for the postwar period. Nelson Rockefeller, who also favored a more moderate approach to Argentina, based on persuasion rather than pressure, assumed the office of Assistant Secretary of State for American Republics Affairs. On its part, the Farrell government, convinced of Nazi Germany's inevitable defeat and the evaporation of any dream it might have had of incorporation into a new German economic sphere, viewed the new State Department team as offering an

³⁸ Ibid., pp. 300-301.

³⁹ Ibid., pp. 252-288, 315-317; Department of State *Bulletin*, July 30, 1944, pp. 107-111.

⁴⁰ *Foreign Relations*, 1944, vol. VII, pp. 324-327, 338-340.

⁴¹ George Gazzera to Sims Carter, "Highlights of the Present Argentine Situation With Regard to the United States," September 14, 1944, RG 60, Antitrust Division, Economic Warfare Division, Box 17.

⁴² Memorandum for the Files on the Proclaimed List Nominating Committee Meeting of October 23, 1944, RG 131, Foreign Funds Control, Subject Files, Foreign Funds Control General Correspondence 1942-1960, Box 382; "Report of the Activities of the Foreign Funds Control for the Month of September 1944," RG 56, Entry 352M - General Counsel, Box 53; Samuel Gilbert to Francis H. Russell, October 16, 1944, RG 131, Foreign Funds Control, Subject Files, Box 382.

⁴³ Despatch from Madrid, September 30, 1944, RG 59, Decimal Files 1940-44, 800.515/9-3044.

⁴⁴ Memorandum from Samuel Klaus to Currie, Coe, and Cox on the Safehaven Investigation in Europe, August-October 1944, Franklin D. Roosevelt Library.

⁴⁵ Memorandum from Samuel Klaus to Oscar Cox, January 27, 1945, RG 169, Office of the Administrator, Historical Files of the Division of Economic Warfare (DEW), Latin America.

opportunity to improve relations. The British were relieved because Hull's attempt at economic warfare against Argentina appeared to them suspiciously like economic warfare against Britain itself.⁴⁶

In light of the new State Department policy, State rejected requests to expand the Safehaven investigation in Argentina. On February 7, 1945, Treasury Secretary Morgenthau suggested to Acting Secretary of State Joseph C. Grew that a special Treasury representative be sent to Argentina in order to uncover and control Nazi external assets in Argentina, a project "still in its formative stages." Morgenthau noted that "more recent reports indicate clearly that Argentina is not only a likely refuge for Nazi criminals but also has been and still is the focal point of Nazi financial and economic activity in this hemisphere." On February 15 Grew rejected Morgenthau's suggestion, citing "political considerations" and the fact that State already had seven officials, in addition to one detailed by the FEA, working in Buenos Aires.⁴⁷

Confusion over the extent of the Argentine investigation stemmed from the exclusion of Latin American countries from Safehaven negotiations and decrees. At the Inter-American Conference on War and Peace held in Mexico City between February 21 and March 8, 1945 (known as the Chapultepec Conference), the American Republics drafted a resolution in support of Bretton Woods Resolution VI, which called on neutrals to take measures to prevent disposition or transfer of assets in enemy-occupied countries, and the other Allied statements on looted gold and German external assets. The resolution, known as the Act of Chapultepec, reflected the goal of Treasury Department officials to apply Safehaven principles to the American Republics. The Act of Chapultepec, however, did not grant control of Nazi assets in Latin American countries to multinational governing bodies, but recognized the right of each of the American Republics, including the United States, to German property within its own respective jurisdiction.⁴⁸

Because of its ongoing pro-Axis activities and isolation from the rest of the American Republics after Farrell's accession to power, Argentina was excluded from the Mexico City conference. Adherence to the Act of Chapultepec subsequently became the prerequisite for its readmission to the Western Hemisphere's family of nations. By late March 1945 Argentina's leaders perceived the increasing isolation of their country.⁴⁹ The Farrell government declared war on the Axis on March 27 (little more than a month before the end of the War against Germany) in Decree No. 6.945 and simultaneously agreed to the provisions of the Act of Chapultepec. Decree No. 7.032, March 31, established the treatment to be accorded to firms trading or maintaining relations with enemy nations. The decree provided for a committee to be in charge of the control, liquidation, vesting, and forced sale of all Axis commercial and industrial firms and the assets of the firms' owners. These assets were to be held to pay possible war damages.⁵⁰ Farrell's announcement and the governmental decrees instantly improved Argentina's relations with the United States, as evidenced by the State Department's decision to support Argentina's bid to be included in the San Francisco meeting to organize the United Nations and to re-establish relations with the Argentine Government.⁵¹

⁴⁶ For a contemporary account of the British attitude, see "Britain and Argentina," *The Economist*, Vol. 147 (August 5, 1944), pp. 174-175.

⁴⁷ Letter from Rubin to Moscovitz, February 7, 1945, RG 131, Foreign Funds Control, Subject Files, Box 389; Grew to Morgenthau, February 15, 1945, RG 56, Acc. 66A-155, Box 34.

⁴⁸ I. M. to Rella Schwartz, March 3, 1945, RG 131, Foreign Funds Control, Subject Files, Box 388; Samuel Klaus to Oscar Cox, RG 169, Office of the Administrator, Box 991. For perspective on the working implications of the Act of Chapultepec, see memorandum prepared in the Division of Economic Security Controls, July 12, 1945, RG 56, Acc. 66A-155, Country Files, Box 34. The text of the Act of Chapultepec is in 60 Stat. 1831; extracts are printed in *A Decade of American Foreign Policy, 1941-1949: Basic Documents*, pp. 221-226.

⁴⁹ In October 1944 Argentina had made a request to the Pan American Union for a meeting of Foreign Ministers to consider its international position, which led to the Chapultepec Conference; see *Foreign Relations*, 1944, vol. VII, pp. 27-86.

⁵⁰ See *ibid.*, 1945, vol. IX, pp. 366-375, 451-454. In Resolution LIX of the Chapultepec Conference, the delegates expressed regret that Argentina had not found it possible to take steps that would permit its participation in the conference, recognized that Argentina was an integral part of the Union of American Republics, and hoped that Argentina might adhere to the conference declarations; see *ibid.*, p. 370, footnote 18.

⁵¹ On April 28, 1945, following strong appeals from the Latin American nations and a compromise among the United States, Britain, and the Soviet Union, the plenary session of the UN Conference of

The Treasury Department began outlining its vision of a Safehaven program for Argentina soon after Farrell's announcement. Because Argentina's program for eliminating German external assets was self-administered (as provided in the Act of Chapultepec), the Treasury plan was essentially a call for action by the Argentine Government. Treasury urged the government to address the cloaking of German assets in Argentine firms, the transfer of enemy assets through neutral countries to Argentina, and the holding of securities, gold, and other assets by enemy persons or firms in Argentina. The Treasury plan also called for the Argentine Government to initiate controls to prevent the importation of property that may have been looted. The role Treasury envisioned for the United States in the Argentine Safehaven program included assistance in drafting freezing control legislation and decrees, developing import controls to prevent Axis loot from entering the country, and beginning an effort to train personnel to uncover cloaked assets.⁵²

The Financial Controls Section of the U.S. Embassy in Buenos Aires first handled the Argentine Safehaven project. In its first months the Argentine Replacement Program (i.e., the elimination of Axis firms by liquidation, expropriation, and forced sale) was behind that of most other Latin American countries. For example, the two German banks in Argentina were still in operation in June 1945 due to lax implementation of liquidation measures by the Central Bank.⁵³ In August 1945 the Safehaven program gained its own desk in the U.S. Embassy and began working directly with the Argentine Replacement Program and its governing body, Junta de Vigilancia (Enemy Property Board).⁵⁴

The Treasury Department was not satisfied with the initial progress of the Argentine Replacement Program and did not feel that Argentina deserved the same treatment as other Latin American countries. Instead, Treasury favored treating Argentina the same as the European neutral countries and placing its German assets under the control of the Allied Control Council (ACC). At the least, Treasury officials wanted the ACC to assume oversight of the Argentine Replacement Program. Assets that the Argentine Government had not properly expropriated and liquidated by a determined date would be automatically claimed by the ACC.⁵⁵ Although Treasury found support for its plan in the Embassy in Buenos Aires, the State Department determined that attaining ACC vesting for Argentina was improbable without consultation and approval of other Latin American countries.⁵⁶

International of International Organization (UNCIO), meeting in San Francisco, voted to seat Argentina. President Peron formally submitted the Act of Chapultepec and the UN Charter to the Argentine legislature on June 26, 1945, which ratified both shortly thereafter. Regarding the compromise, see *ibid.*, 1945, vol. I, pp. 328-329, 396-398, 411-418, 483-488, 500-504, 531-532. For a secondary account, see Randall B. Woods, *The Roosevelt Foreign-Policy Establishment and the "Good Neighbor": The United States and Argentina, 1941-1945* (Lawrence, 1979), pp. 190-202. Spruille Braden was appointed U.S. Ambassador to Argentina on May 8, 1945.

⁵² "Memorandum re Argentine Safehaven Program," May 5, 1945, RG 131, Foreign Funds Control, Subject Files, Box 20.

⁵³ "Report of the Activities of the Foreign Funds Control for the Month of June 1945," RG 56, Acc. 66A-155, Division of Monetary Research Monthly Reports to the Secretary, Box 67.

⁵⁴ "Review of Economic Warfare Activities in Argentina," May 22, 1946, RG 84, Embassy Buenos Aires, Confidential File 1946: 851, Box 87.

⁵⁵ "Report of the Activities of the Foreign Funds Control for the Month of July 1945," RG 56, Acc. 66A-155, Division of Monetary Research Monthly Reports to the Secretary, Box 67. See also Glasser to Collado, July 30, 1945, and Coe to Collado, August 30, 1945, both in RG 131, Foreign Funds Control, Subject Files, Box 386.

⁵⁶ *Foreign Relations*, 1945, vol. IX, p. 486. For the State Department's position, see also "Argentine Replacement Program," March 11, 1946, RG 131, Foreign Funds Control, Subject Files, Box 386.

F. The Argentine Blue Book

After the War the United States sought to explain its wartime policies toward Argentina and lay a foundation for a postwar solidarity among the American Republics that would continue to exclude Argentina. At the end of 1945 the Department of State began to prepare the so-called "Blue Book," which would demonstrate to the other American Republics that Argentina was a fascist government and deserved not to be included in a mutual defense pact scheduled to be signed in February 1946. The State Department therefore began to collate information on the wartime Argentine-German relationship throughout all sectors of the U.S. Government. Believing that Argentina was an especially fertile ground for the seeds of a successor Nazi regime and a possible third world war, Secretary of State James F. Byrnes wrote to the Embassy in Buenos Aires: "Prep Arg case is regarded as most urgent and impt undertaking confronting this Govt in Hemisphere today."⁵⁷

Interrogations during the preparation of the Argentine Blue Book of several Nazi officials and Foreign Service personnel who had handled Argentine affairs failed to substantiate rumors that Nazi leaders had concealed looted gold or other assets in Argentina.⁵⁸ Hermann Goering was the top-ranking Nazi official alive in late 1945 and a prime target for the Allied external asset investigation. An FEA Preliminary Report on German external assets presented possible evidence that Goering had millions invested in Argentina in paintings and sculptures; similar stories circulated in the American popular media. Exhaustive interrogation of Goering and his associates and family, however, found no evidence that he had a direct or indirect interest in any asset in Argentina. A revised report by the FEA concluded that Goering had not concealed assets abroad.⁵⁹

The Argentine Blue Book was delivered to the Latin American countries on February 11, 1946. Its focus was not specifically on Argentina's conduct during the War but on its current potential to become a base for a Nazi resurgence. The Blue Book confirmed that the Argentine Government asserted no control over German firms until its declaration of war against the Axis in March 1945. Although subsequent decrees stipulated that Argentina would place Axis-controlled firms under its control and possession, the government delayed taking action for so long that the managers of these firms had ample time to distribute or dissipate their assets.⁶⁰

The Blue Book's other important revelation was that Nazi Germany transmitted large sums of money to its Embassy in Argentina without any serious obstacles.⁶¹ A later Safehaven investigation determined that between 1939 and January 1944, the Embassy received a total of 13.9 million pesos (\$4.1 million) from Berlin. Approximately 65 percent of that sum represented a fixed monthly expense of 130,000 Argentine pesos (\$39,000), while 5 percent was earmarked for the upkeep of prisoners from the *Graf Spee*. The remaining 4 million pesos (\$1.2 million) was deemed potential Safehaven capital, but it was also likely that the money had been used for German espionage activities. These activities included intervening in Argentine elections, subsidizing press and propaganda, and purchasing strategic materials for the Nazi war effort.⁶²

⁵⁷ Ibid., Box 20; Secretary of State to the Embassy, Buenos Aires, December 7, 1945, RG 59, Argentine Blue Book, Entry 1086, Telegrams from U.S. Embassies 1945-1946, Box 16.

⁵⁸ Reports of Interrogations, *ibid.*, Entry 1088, Boxes 23, 24, 26.

⁵⁹ "Report on External Assets of Hermann Goering, late 1945, RG 56, Acc. 56-75-101, Legal Staff Records, General Subject Files, Box 238. Stanley Ross's "Nazi Nest Eggs in Argentina" (*Collier's*, April 21, 1945) claimed that Hermann Goering had cached a total of \$25 million in Argentina. Treasury officials took note of the article but found its generalities and rumors of little value to the Safehaven program; Feig to Schwartz, April 27, 1945, RG 131, Foreign Funds Control, Subject Files, Box 19. The rumors that Goering hid a treasure in Argentina have persisted to the present. One author has claimed that Goering likely hid looted assets in Argentina; see Tom Bower, *Nazi Gold* (New York, 1997), p. 319. No search for evidence that Goering hid looted assets in Argentina was undertaken in connection with the preparation of this report.

⁶⁰ Argentine Blue Book, pp. 57-58, RG 59, Argentine Blue Book, Entry 1086, Box 16.

⁶¹ Ibid., pp. 50-52.

⁶² Gutwirth to Schmidt, "Supplementary Report to Review of Economic Warfare Activities in Argentina," July 3, 1947, RG 131, Foreign Funds Control, Subject Files, Box 21. The *Graf Spee* was a German pocket battleship scuttled near Montevideo in late 1939 after a battle with the British Navy. Most of the crew fled to Argentina, where they were interned with Germany providing payment for their support.

The release of the Blue Book during the Argentine presidential election caused a stir as reports surfaced that Peron was planning a smear campaign against U.S. officials. Acting Ambassador John Cabot had argued against the Book's release, fearing its unpredictable impact on U.S.-Argentine relations.⁶³ Acting Ambassador Cabot referred to the release as a "bomb." Both Secretary Byrnes and Ambassador Braden were concerned about what they perceived as Peron's links to the Nazis and they regarded him as a serious obstacle to the effective de-Nazification of Argentina. To Braden, Peron was "a typical Fascist," who had facilitated Nazi penetration of Argentina during his tenure as Minister of War and then Vice President under Farrell. When the old-line generals in Argentina's military establishment removed Peron from office and had him arrested in October 1945, massive popular demonstrations led to his release.⁶⁴ Under Secretary of State Dean Acheson was convinced that the Blue Book helped to sway the election in Peron's favor.⁶⁵

The release of the Blue Book did succeed, however, in fostering increased cooperation in the Argentine Replacement Program, and the working relationship between the Enemy Property Board and Safehaven investigators improved in early 1946. In addition to the free and mutual sharing of information, the U.S. Embassy and the Board prevented additional dissipation of assets of German firms.⁶⁶

In March 1946 the Treasury Department determined that, "in light of the turn which Argentine developments have taken," it would accept the State Department's position, argued since June 1945, that the United States would delete Argentine firms from the Proclaimed List once the Argentine Government had nationalized them. The only condition was that the government sell the firms to "satisfactory purchasers." The Treasury Department had previously wanted the ACC to vest all firms before removing them from the Proclaimed List because "that would permit direct supervision by the Allies of the disposition of German firms and assure that such disposition would be satisfactory to us." But now Treasury acquiesced to State's position that all replacement programs in Latin American countries should be treated the same, as called for in the Safehaven provisions of the Act of Chapultepec.⁶⁷

G. The Findings of the Safehaven Investigation in Argentina

After release of the Blue Book and the onset of more amicable relations with the Enemy Property Board, U.S. policy toward Argentina shifted significantly. George Messersmith, appointed Ambassador to Argentina in April 1946, was the major instrument in this shift. In a series of top secret despatches and letters to Secretary of State Byrnes, Messersmith urged that the United States place its relationship with

For information on the German program for subsidizing the Argentine press, see the message intercepted and decrypted by U.S. authorities and available to U.S. leaders, "Magic" Diplomatic Summary, May 24, 1953, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 5.

Apparently, converted gold was also used to finance similar activities. In November 1943, for example, the German Foreign Office advised its Chargé in Buenos Aires, Meynen, that Foreign Minister von Ribbentrop had decided to send him an amount of gold, most of it in gold bars, to finance his efforts to procure information. When asked how much gold he thought he might use over the period of a year, the Chargé replied that he would need the equivalent of 300,000 pesos (\$75,000 in 1943) at the outset. He noted that the shipment and use of gold were under strict surveillance, that it would have to be converted into pesos immediately, and he queried, under the circumstances, how the Foreign Office intended to send the gold. Whether this particular gold was ever sent to Argentina could not be determined from the available records. ("Magic" Diplomatic Summary, December 13, 1943, *ibid.*, Box 8)

⁶³ *Foreign Relations*, 1946, vol. XI, pp. 201-202.

⁶⁴ *Ibid.*, pp. 190-193, 233.

⁶⁵ Dean Acheson, *Present at the Creation: My Years in the State Department* (Norton, 1969), pp. 187-190. Peron circulated a response of his own to the Blue Book, which he called the "Blue and White Book" (after Argentina's colors) and managed to transform the election into a choice between himself and Braden. He won a resounding victory in an election regarded as fair and honest.

⁶⁶ Cabot to the Secretary of State, March 8, 1946, RG 59, Argentine Blue Book, Entry 1086, Telegrams from U.S. Embassies 1945-1946, Box 17; Howard H. Tewksbury, "Fifth Report on Safehaven," April 10, 1946, RG 84, Embassy Buenos Aires, Confidential File 1946: 851.1-879.6, Box 95.

⁶⁷ "Argentine Replacement Program," March 11, 1946, RG 131, Foreign Funds Control, Subject Files, Box 386. The Treasury decision to accede to the State Department position is recorded in an initialed, handwritten note at the end of the document.

Argentina on a "completely friendly, collaborative, and constructive basis" by the end of 1946.⁶⁸ The policy-makers in Washington generally came to agree with Messersmith's position, especially as the onset of the Cold War renewed U.S. desire for hemispheric alignment.

On May 15, 1946, the Treasury Department recommended that the three-person team of Treasury Safehaven investigators in Buenos Aires be instructed to complete their investigations and return.⁶⁹ The following week the Treasury representatives in Buenos Aires submitted their final Safehaven reports. By this time, all the important German concerns in Argentina had become subject to the Argentine replacement program. One report stated that, as a measure of the difficulty of fully eliminating Axis business enterprises, filing required Safehaven census reports, and identifying concealed assets disclosed by such reports, all the resources of the police and the Enemy Property Board would be required. Accordingly, the Safehaven team looked hopefully but skeptically on claims by the incoming Peron government that it would extirpate any Nazi presence in Argentina.⁷⁰

On May 22, 1946, the Safehaven investigation estimated that the total value of German assets for possible vesting was about 680 million Argentine pesos (\$200 million), the vast majority of which came from firms already under the control of the Enemy Property Board.⁷¹ As part of the total, 66 million pesos (\$19.7 million) were uncovered at the two German banks in Argentina. The liquidation of Germany's six insurance companies provided an additional 25 million pesos (\$7.4 million).⁷² Assets found by the Safehaven team generally consisted of bank balances, currency, obligations, merchandise, and real estate. The team concluded that, contrary to numerous rumors, Argentina was not a German safehaven for looted gold or assets. No caches of gems or art treasures looted by the Germans had been officially uncovered in Argentina. Moreover, records obtained by the U.S. Embassy did not reveal that Argentina had acquired any gold from Axis sources.⁷³

The Enemy Property Board at one time stated that the proceeds of Argentina's replacement effort would be deposited in specially blocked accounts intended to reimburse the losses incurred by the United Nations during the War.⁷⁴ But no negotiations regarding the distribution of the proceeds of liquidated German assets were undertaken. On February 15, 1947, Ambassador Messersmith notified the Secretary of State that all identified enemy assets in Argentina were now the property of the Argentine Government and that further investigation of enemy assets would be conducted locally and by the Office of the Military Government of Germany (OMGUS). The Embassy knew of no German assets at the time that required further explanation.⁷⁵

Findings by the Argentine Safehaven investigation do not rule out the possibility that looted assets reached Argentina. Among other problems, the investigation began relatively late, and there was no attempt by Argentine authorities to recover missing documents. By the time investigators gained access to the records of German firms, relevant files only covered the period up to 1941 and, in other cases, 1942.⁷⁶ As reported in the Blue Book, early investigations also found that there had been systematic attempts to distribute, or dissipate, assets of the firms by increasing employee salaries and bonuses. Investigators could

⁶⁸ Messersmith to the Secretary of State, July 26, 1946, RG 84, Embassy Buenos Aires, Top Secret File 1944-1949, Box 1; Messersmith to Byrnes, October 30, 1946, *ibid.* See also Airgram from Buenos Aires, February 15, 1947, RG 59, Decimal Files 1945-49, 800.515/2-1447.

⁶⁹ Schwartz to Schmidt, May 15, 1946, RG 131, Foreign Funds Control, Subject Files, Box 388; "Argentine Reports by Treasury Group in Buenos Aires," July 9, 1946, *ibid.*, Box 21.

⁷⁰ "Review of Economic Warfare Activities in Argentina," May 22, 1946, RG 84, Embassy Buenos Aires, Confidential File 1946: 851, Box 87.

⁷¹ "Review of Economic Warfare Activities in Argentina," May 22, 1946, *ibid.*

⁷² "Argentine Reports by Treasury Group in Buenos Aires," July 9, 1946, RG 131, Foreign Funds Control, Subject Files, Box 21.

⁷³ "Review of Economic Warfare Activities in Argentina," May 22, 1946, RG 84, Embassy Buenos Aires, Confidential File 1946: 851, Box 87.

⁷⁴ Tewksbury to Secretary of State, "Second monthly report on Safehaven," November 28, 1945, RG 131, Foreign Funds Control, Subject Files, Box 385.

⁷⁵ Airgram from Buenos Aires, February 15, 1947, RG 59, Decimal Files 1945-49, 800.515/2-1447.

⁷⁶ "Special Investigation of Nazi Economic Activities in Argentina," January 1, 1946, *ibid.*, Argentine Blue Book, Entry 1091, Memorandums on the Preparation of the Argentine Blue Book 1945-1946, Box 29.

not determine whether various schemes represented deliberate attempts to conceal enemy assets or simply were attempts by managers to turn quick profits.⁷⁷ Finally, the Safehaven investigation failed to review the records of the Argentine Central Bank.⁷⁸ The fact that looted gold was not discovered in Argentina's German banks still leaves open the possibility that it was concealed in other Argentine financial institutions. The Argentine Historical Commission, established in 1997 by President Menem, may have access to archival materials that can shed light on the extent of looted Nazi assets in Argentina during and after the War.

H. Argentine Gold Transactions and the Question of Looted Gold

The postwar Argentine Safehaven investigation also failed to explore adequately Argentina's financial dealings with Switzerland as a possible avenue for looted gold and German assets. During the War, the United States became aware of various financial transactions between Argentina and Switzerland involving gold. In April 1942 the U.S. Consulate in Switzerland reported that an unknown Argentine official was preparing to carry U.S. currency and securities, which had likely been stolen by the Germans in Europe, by diplomatic pouch and market them in Argentina. The proceeds of the currency and securities were to be remitted to Switzerland at the regular rate of exchange.⁷⁹ British secret cables obtained in July 1944 revealed that Argentina and Switzerland shared an extensive commercial relationship, which often included payments for exports in gold. One cable showed that at one time during the War, Credit Suisse, Zurich offered to buy gold from several South American countries deliverable to Buenos Aires.⁸⁰ By January 1945 the State and Treasury Departments had found conclusive evidence of extensive transactions involving the transfer of Argentine pesos, German Reichsmarks, and Swiss francs from Argentina to Switzerland.⁸¹

Other exchanges of gold between the two countries were connected to the repayment of a Swiss loan to Argentina negotiated in 1938. The U.S. Embassy in Buenos Aires informed Washington in April 1944 that the Argentine Central Bank planned to ship six tons of gold to Zurich through Lisbon.⁸² By September 1944 the Treasury Department was tracking all gold transactions between Switzerland and Argentina connected to the loan.⁸³

In May 1947 a proposed \$170 million gold shipment from Argentina to its account with the Federal Reserve Bank in New York raised the issue of Argentina's past gold dealings. Argentina had delayed adhering to the February 1944 Gold Declaration until March 1945 when it agreed to the provisions of the Act of Chapultepec, leading Treasury and State Department officials to suspect that the pro-Axis Farrell-Peron government might have acquired looted gold from either Germany or the European neutral

⁷⁷ "Special Investigation of Nazi Economic Activities in Argentina," January 1, 1946, *ibid.*; Argentine Blue Book, pp. 57-58, *ibid.*, Entry 1086, Box 16. See also Howard Tewksbury to the Secretary of State, February 9, 1946, *ibid.*, Entry 1091, Memorandums on the Preparation of the Argentine Blue Book 1945-1946, Box 10.

⁷⁸ Argentina provided Argentine Central Bank wartime gold records to the Los Angeles-based Simon Wiesenthal Center in November 1996. An examination of the records by the Federal Reserve Board and the Office of Special Investigations of the Department of Justice, with the assistance of the Federal Reserve Board, revealed that they contain no evidence that any gold was acquired by the Argentine Central Bank from Europe between August 1942 and the end of the war, but that they also contain no information about the origin of any gold the Bank received prior to August 1942.

⁷⁹ Paul Squire to Leland Harrison, April 1, 1942, RG 84, Legation Bern, Confidential File 1942: 840-892.43, Box 7.

⁸⁰ Behuneik to Gilbert, July 22, 1944, RG 131, Foreign Funds Control, Subject Files, Box 386.

⁸¹ "Memorandum: Evidence of Direct Financial Intercourse between Argentina and Enemy or Enemy-Occupied Territory," RG 131, Foreign Funds Control, Subject Files, Box 19. Evidence in the same document also suggests that more limited monetary transactions took place between the Argentine Central Bank and financial institutions in Germany, including the Reichsbank.

⁸² Joseph J. O'Connell, Jr. to Secretary Morgenthau, April 20, 1944, RG 56, Acc. 66A-155, Country Files, Box 33; Armour to the Secretary of State, April 5, 1944, RG 84, Embassy Buenos Aires, Confidential File 1944: 850-851, Box 52; "Excerpt from Imperial Censorship (Trinidad) Report," RG 56, Acc. 66A-155, Country Files, Box 33.

⁸³ Jerome Sachs to Rella Schwartz, September 9, 1944, *ibid.*

countries during the one-year period.⁸⁴ In December 1946 the Treasury Department had made the following statement concerning Argentina's status under the Gold Declaration:

"Despite numerous rumors no definite information has been attained showing the acquisition of gold from the Axis by Argentina. In view of present diplomatic relations with Argentina, it cannot be expected that they will be asked to make their records available to us. Accordingly, no attempt is likely to be made to obtain a Safehaven settlement with Argentina. The Gold Declaration should continue to be applicable to Argentina until the Declaration is finally revoked."⁸⁵

The State Department approved Argentina's gold shipment despite uncertainty about the origins of its gold supply. Approval came after the U.S. Government discovered that Argentina had previously moved \$232 million in gold with U.S. Assay Office markings from the United States to Argentina in 1946, a move that was clearly within wartime Allied gold sales policies. State acknowledged that larger questions remained about Argentina's gold supply, but that the United States would only approach Argentina if convincing evidence demonstrated that it had acquired looted gold.⁸⁶

The State Department's actions reflected a desire to protect recently improved U.S.-Argentine relations. The United States had come by this time to recognize Argentina as an ally against Communism.⁸⁷ President Truman and Argentine Ambassador Ivanissevich issued a joint announcement on June 3, 1947, that their two countries would renew consultations with other Latin American countries about creating a treaty of mutual assistance.⁸⁸ Subsequently, in early September, Argentina joined the United States and other American Republics in agreeing to the Inter-American Treaty for Reciprocal Assistance, the Rio Pact, for mutual defense against aggression.⁸⁹

I. U.S. Purchases of Argentine Gold

The onset of more cooperative U.S.-Argentine relations did not resolve the unanswered questions about Argentina's gold reserves and purchases. In October 1947 the Treasury Department requested permission from the State Department for the Embassy in Buenos Aires to approach the Argentine Government about looted gold. The Federal Reserve had informed Treasury that Argentina had recently made shipments of \$320 million in gold to New York for deposit into its account, and that the United States had already purchased \$232 million of the gold, all of which was U.S. Government assay gold and therefore not subject to wartime Allied looted gold controls. The remaining \$88 million in gold divided into three categories: gold that could not be identified as having ever been under "earmark" in the United States in the prewar period (\$39 million); gold that was held under "earmark" in the United States but had been exported to Argentina prior to February 22, 1944 (\$20 million); and gold held under earmark in the United States and exported to Argentina subsequent to February 22, 1944, when the Gold Declaration was issued (\$29 million). Only the gold that was in the United States at the time of the Gold Declaration (\$29 million) was eligible for purchase.⁹⁰

Understanding the urgency of the situation, State accepted Treasury's request, and the two agencies sent a cable to the Embassy in Buenos Aires on October 8, 1947, stating that Argentina would have to certify that it had not obtained gold from the Axis or Axis-occupied countries, or from Spain, Portugal, or Turkey before the United States would finish its purchase of the Argentine gold shipment.⁹¹ Argentine authorities responded that they had not received gold from any of the countries in question, but

⁸⁴ "Review of the Status of the Gold Declaration," December 12, 1946, *ibid.*, Acc. 66A-1039, Miscellaneous Committee Records, Box 62.

⁸⁵ "Review of the Status of the Gold Declaration," December 12, 1946, *ibid.*

⁸⁶ Silver to Schmidt, June 20, 1947, *ibid.*, Acc. 66A-155, Country Files, Box 33, Argentina.

⁸⁷ *Foreign Relations*, 1947, vol. VIII, pp. 208-209.

⁸⁸ "Joint Statement Following Discussions With Ambassador Ivanissevich of Argentina," June 3, 1947 in *Public Papers of the Presidents of the United States: Harry Truman, 1947*, p. 261; *Foreign Relations*, 1947, vol. VIII, pp. 186-187. See also *ibid.*, pp. 188-189, 192-193.

⁸⁹ For documentation on Argentina's cooperation at the Rio Conference, see *ibid.*, pp. 1-93.

⁹⁰ Memorandum to the Files, October 7, 1947, RG 56, Acc. 66A-155, Office of International Finances, International Conference Files, Box 70. Secretary of Treasury to Secretary of State, undated, *ibid.*; Schmidt to Southard, October 1, 1947, *ibid.*

⁹¹ Schwartz to Schmidt, October 9, 1947, *ibid.*, Box 33.

did report purchasing a total of 1,820 ounces of gold (\$63,700) from Switzerland between 1940 and 1947.⁹² The terms of the May 1946 Allied-Swiss Accord included a waiver of any further Allied claims to monetary gold from Switzerland and foreclosed questioning Switzerland or the Swiss National Bank about their dealings with Argentina. But the State Department continued to seek information about possible Argentine acquisitions from the German Reichsbank account in the Swiss National Bank: "If Argentina acquired no gold from German Reichsbank account Switzerland this gov satisfied re Gold Declaration and Treas would proceed with gold transactions." Under Secretary of State Lovett wanted the bar numbers, mint marks, and other identifying symbols on gold acquired from Switzerland for the ongoing U.S. gold investigations.⁹³

The Argentine Central Bank gave the United States written assurance on October 23, 1947, that its gold acquired from the Swiss never had Reichsbank or German ownership. The assurance fulfilled the Treasury Department's requirements under the 1944 Gold Declaration to permit the Federal Reserve to purchase Argentine gold on behalf of the Treasury. Missing from Argentina's written assurance, however, were the identifying markers Acting Secretary Lovett had requested. Lovett persisted in seeking such information, and instructed the Embassy that the information would help facilitate the completion of records by the U.S. Government and the Tripartite Gold Commission.⁹⁴ Ambassador Messersmith however felt that requesting details about Argentina's Swiss gold could reverse positive developments in U.S.-Argentine relations and argued against such an approach to the Argentine Government about the issue.⁹⁵ The matter appears not to have been pursued further.

⁹² Bruce to the Secretary of State, October 13, 1947, RG 84, Embassy Buenos Aires, Confidential File 1947, 851, Box 104.

⁹³ Lovett to Buenos Aires, October 15, 1947, RG 56, Acc. 66A-155, Country Files, ARG/3/000-ARG/3/75, Box 33.

⁹⁴ Lovett to Buenos Aires, October 23, 1947, *ibid.* For the letter documenting the Argentine Central Bank's gold acquisitions, see Julian Greenup to the Secretary of State, October 22, 1947, RG 84, Embassy Buenos Aires, Confidential File 1947, 851, Box 104.

⁹⁵ Julian Greenup to the Secretary of State, October 22, 1947, *ibid.*