



DEPARTMENT OF STATE

BRIEFING MEMORANDUM

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FEB 10 1976

To: The Secretary

From: INR - Harold H. Saunders 143

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Argentina: Division and Crisis

For your meeting with Raul Quijano, the newly appointed Foreign Minister of a deeply troubled Argentina, on February 11, you may find helpful the following observations on Quijano and our analysis of the domestic backdrop against which he must function.

Expecting that he would become another victim of the intense political intrigue that characterizes the Peron administration, Quijano accepted his appointment only because he is a career diplomat and could not do otherwise. He anticipates a brief tenure, as is evidenced by reports that he is maintaining a New York City residence and trying to ensure his future reinstatement as Chairman of the UN's International Civil Service Commission.

Having served in this country nearly 20 years with the OAS and the UN, Quijano probably has a sophisticated understanding of US institutions and political developments. At the UN, he acquired a reputation for being favorably disposed toward the US and skeptical about the wisdom of the LDC/non-aligned tendency toward excess and confrontation.

Domestic upheavals have severely inhibited Argentina's ability to pursue an active and effective foreign policy. (Another flare-up in the running battle with Britain over the Falkland [Malvinas] Islands has been the only significant development in recent months.) Argentina is, however, a CIEC participant and a member of the raw materials and

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ARGENTINA PROJECT (S200000044)
U.S. DEPT. OF STATE, A/RPS/TPS
Margaret P. Grafeld, Director

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the development commissions. Given Quijano's personal views and Argentina's semi-industrial status, Argentina will probably assume a moderate stance on CIEC issues.

Moreover, as you know, Argentina and Brazil are traditionally competitors for regional influence and US attention, and your talk with Quijano will help dispel Argentine suspicions that your upcoming visit to Brazil signifies preferential treatment for that country.

But, these foreign policy considerations aside, I think that Argentina's domestic situation will be most on Quijano's mind.

Argentina in Transition

Argentina entered a transitional period following Peron's death on July 1, 1974. After having responded to his cues for nearly three decades, the country's key power groups had to adjust to his absence. To date, they have not succeeded, and the result has been a progressive deterioration of the political and social fabric.

The Peronist Movement. Peronist unity was a function of Peron's personal domination of the movement, and a degree of splintering was natural after his death. That the defections have been so numerous and acrimonious is attributable to the ineptitude of Maria Estela Peron and her dependence upon advisers (Jose Lopez Rega, Julio Gonzalez) considered politically and personally repugnant by erstwhile government supporters.

Mrs. Peron is now isolated; her political base diminished to a right-wing sector of Peronism; her overwhelming majority in Congress gone; her administration the object of public ridicule. The restoration of even a semblance of harmony and discipline within Peronism before this year's elections, probably in November, is unlikely, particularly so long as Mrs. Peron retains the presidency.

Labor. Labor is the nation's most powerful civilian political force, but poor leadership and lack of discipline have diminished its influence in recent months. National economic reverses have undermined the ability of union bosses to satisfy rank-and-file wage demands. Consequently, national union leaders like Lorenzo Miguel and Casildo Herreras exert only tenuous control over the movement.

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Given this opening, leftists, and in some cases terrorists, have made inroads at the factory level.

Military. Chastened and humiliated by seven years (1966-73) of governing unsuccessfully, the armed forces abandoned the political arena and supervised the Peronists' resumption of power in 1973. But the tide has again turned, and most senior officers now expect and would support a coup against Mrs. Peron. Right-wing Air Force elements attempted one, unsuccessfully, last December. The three service commanders have personally requested the president's resignation.

There is no question of the armed forces' ability to succeed in carrying out a coup. Their reticence to date can be traced to:

- the apparently illusory hope that Peron's government would fall of its own incompetence and thereby tarnish the myth that Peronism represents the only viable course for Argentine development;
- vivid memories of ineffective military rule before 1973 and recognition that the military still has no sure-fire cures for the nation's problems;
- awareness that coups are part of Argentina's political problem rather than a solution; and
- the cautious leadership of Army Commanding General Jorge Videla, who is hesitant about leading the armed forces' on another political excursion.

Terrorists. Terrorist violence has reached unparalleled levels during Mrs. Peron's tenure. The Marxist-Trotskyite People's Revolutionary Army (ERP) and the Montoneros from the Peronist left have been devastatingly effective, and their violent tactics have been matched in kind by the security forces and extra-legal right-wing goon squads.

An improving counterterrorist capability in the armed forces and the possibility that the Montoneros will concentrate on legitimate participation in this year's elections offer some hope for a reduction in ter-



rorist activity. The key may be how badly the security forces have damaged the capabilities of the ERP.

Economic Complications. Attempts to resolve the national political crisis will be influenced, perhaps decisively, by Argentina's serious economic problems. Last year was the nation's worst economic year in recent history (inflation rate of 335 percent), and little relief is in sight during 1976. Internally, the forecasts are not hopeful, and much will depend upon whether the administration can maintain a relatively firm policy on wages and avoid caving in to exorbitant union demands. The establishment of realistic exchange rates and an abundant 1975-76 wheat harvest brighten prospects in the external sector.

Peron's Removal Likely

Currently a political stalemate exists; the great majority of Argentines would be relieved at the removal of a president who refuses to budge. In the remaining months before this year's elections, two things seem clear:

--Peron will neither resign nor be impeached, and she might even try to run for reelection.

--The nation's political and economic situation, as well as its image abroad, will probably worsen because she has shown herself incapable of effective leadership.

Faced with these prospects, the military will probably remove Peron before the elections. Recent evidence indicates that subordinates are increasingly pressuring their service commanders, and that post-coup plans are being fleshed out. The precise timing of a coup is impossible to forecast, but military dissatisfaction is so pervasive and intense that one could occur at any time.

Post-coup Government. In the event of a coup, the result might be:

--succession to the presidency by a civilian, probably Senate President Italo Luder, a moderate Peronist;
or

- military rule of extended duration; or
- a caretaker military regime in office only to oversee the elections.

The specific circumstances surrounding a coup may well be the determining factor regarding which of the alternatives may occur:

- A relatively spontaneous, unrehearsed coup provoked by a particularly egregious action by Mrs. Peron would probably involve a comparatively low level of planning and coordination; these conditions would favor succession by either a civilian or a caretaker military regime.
- Conversely, a more carefully orchestrated coup accompanied by extensive prior consultation and coordination would substantially increase the chances for extended military rule thereafter.

We consider the alternative of a caretaker military regime the least likely.

Harsh Military Rule? If the armed forces assume control for an extended period, Argentines may be subjected to rule of unprecedented severity. As moderate conservatives, military leaders would probably opt for a rigid economic austerity program that would require considerable repression to implement. Labor unions would be likely to resist with all the potent means at their disposal, and terrorists would attempt to exploit popular unrest by intensifying their campaign of violent disruption.

Conservative officers assuming power will do so fully aware of the complexity of the problems and the opposition that their preferred solutions are likely to encounter. They may well be prepared, therefore, to undertake whatever measures are necessary to ensure their policies a chance for success.

Impact on US Interests

Immediate US interests in Argentina consist of:

- Ensuring proper treatment for the \$1.2 billion of direct US investment, mainly in industrial

enterprises, including General Motors, Ford, and Exxon.

--Cultivating harmonious relations with a country capable of exerting a moderate--though mainly regional--influence in discussion of DC-LDC issues.

Over the medium and long term, US interests may be affected by Argentina's potential emergence as a nuclear proliferator and a major contributor to solving the global food problem.

Currently, US-Argentine relations are on an even keel, threatened only by a series of much negotiated but still pending investment disputes. Internal disarray rather than policy considerations are undermining the settlement process, but as a result Argentina could be excluded from GSP benefits under the US Trade Act. Should this happen, it will not only sour our bilateral relations, but it will also provide ammunition for other Latin nations that have been outspoken opponents of the Trade Act.

Little Change Expected. During the months before the elections, there is little chance that US interests will be radically affected by events in Argentina.

The emergence of a more radical government would present obvious problems for the US. However, this is unlikely to happen:

--Radical leftists are neither numerous enough to win a legitimate election nor powerful enough to capture the government by force.

--Military support for fundamental social and economic reforms along the lines of the so-called "Peruvian" development model appears confined to junior officer ranks.

Of the possible alternatives before the elections--Peron's government, a civilian successor administration, a long-term military regime--none is likely to assume a rabidly anti-US stance, particularly at a time when Argentina may find it necessary to approach the US for aid to alleviate its economic difficulties. Continuing

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economic disorder and labor agitation may present problems for US firms, and the security risk for US personnel will remain high, but government policies and practices overtly and specifically hostile to US interests are unlikely.

Any military coup will probably elicit charges of some type of US involvement. A harshly repressive military regime might present problems in the human rights area, with the consequent need to reconsider US aid programs. Although US economic and military aid is quantitatively insignificant, the symbolic significance of its termination could become an irritant in bilateral dealings.

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(In draft)

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