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DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
COMMUNICATION MESSAGE FORM

PAGE 1 OF 6		CLASSIFICATION CONFIDENTIAL		PRECEDENCE ROUTINE
DATE MARCH 14, 1984		\$SS*RR 46 47 49 411 416 RUEHDCIY23 H0158 0750306TYC Rst 142120Z MAR 84 FM DIRECTOR FBI TO 46/DIRECTOR CIA 47/NATIONAL SECURITY AGENCY 14 ATTN: G GROUP 49/DIRECTOR DEFENSE INTELLIGENCE AGENCY 12 411/SECRETARY OF STATE ATTN: DIRECTOR BUREAU OF INTELLIGENCE AND RESEARCH 10 416/DEPARTMENT OF TREASURY 7 DEPARTMENT OF COMMERCE 8 BT CONFIDENTIAL 6 WARNING: FOREIGN INTELLIGENCE INFORMATION; THIS COMMUNICATION IS CLASSIFIED CONFIDENTIAL IN ITS ENTIRETY. 4 SERIAL: 3B-AR-400-1-84 COUNTRY: ARGENTINA 2 DOI: DECEMBER, 1983 - JANUARY, 1984 SUBJ: ARGENTINA'S EXTERNAL DEBT.		
DO NOT TYPE MESSAGE BELOW THIS LINE				
APPROVED BY <i>[Signature]</i>	DRAFTED BY DB: [initials]	DATE 3/14/84	ROOM 4084/5	TELE EXT. 4646/232

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Political Matters - Argentina

[Signature]

109-12-201-3756

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- 1 - Mr. D. W. Szady
- 1 - Mrs. E. N. Baker
- 1 - Mr. D. Boyce

SEE NOTE PAGE 7

MAR 20 1984

Declassified Case: 17- 84733 Date: 10-25-2013

64 MAY 1 1984 F17

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS CENTER
03472ma
MAR 15 1984

5-Boyce
Tierney

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SOURCE: A U. S. PERMANENT RESIDENT ALIEN, BORN AND RAISED
 20 IN ARGENTINA. HIS IMMEDIATE FAMILY AND MOST
 18 RELATIVES STILL RESIDE THERE. HE IS CURRENTLY WORKING
 ON A PH.D. IN SOCIAL SCIENCE AT A U. S. UNIVERSITY. HE
 16 HAS FURNISHED RELIABLE INFORMATION IN THE PAST. INFORMATION
 CONTAINED IN THIS REPORT IS BASED UPON OBSERVATIONS MADE
 14 DURING RECENT TRAVEL TO ARGENTINA AND REMARKS MADE BY A
 CLOSE RELATIVE WHO WAS ASSOCIATED WITH THE ARGENTINE MINISTRY
 12 OF ECONOMY DURING THE FIRST MILITARY JUNTA. *Reg*

TEXT: ACCORDING TO ARGENTINE ECONOMIST EDUARDO SETTI,
 10 PART OF ARGENTINA'S EXTERNAL DEBT IS FICTITIOUS AND
 SHOULD NOT BE PAID. RADICAL PARTY ECONOMISTS BELIEVE THAT
 8 NEARLY 40 TO 50 PERCENT OF ARGENTINA'S FOREIGN DEBT IS ILLEG-
 GITIMATE. A REPORT, RECENTLY LEAKED TO THE PUBLIC STATES THAT
 6 BETWEEN JUNE, 1980 AND MARCH, 1981, BORROWERS WITH OFFICE
 QUARTERS IN ARGENTINA BOUGHT CHEAP DOLLARS IN THE FREE
 4 EXCHANGE MARKET FOR THE STATED PURPOSE OF MEETING THEIR COMMIT-
 MENTS TO FOREIGN CREDITORS. AT THE SAME TIME THE BORROWERS LET
 2 THEIR COMMITMENTS, DULY REGISTERED WITH THE CENTRAL BANK
 OF ARGENTINA, REMAIN TAGGED, "TO BE PAID," OR IN OTHER

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▶ P/AGE THREE DE HQ**RUEHFB 0158 ~~C O N F I D E N T I A L~~

WORDS, NOT YET SATISFIED. [SOURCE COMMENT: THE SO CALLED

20 "CHEAP DOLLAR" IS A PHENOMENON THAT HAD PREVIOUSLY OCCURRED

18 IN ARGENTINA WHEN MARTINEZ DE HOZ WAS IN CHARGE OF THE

ECONOMY. CURRENT AUTHORITIES ARE STUDYING WHETHER TO INDICT

16 MARTINEZ DE HOZ ON CHARGES THAT HIS ECONOMIC POLICIES WERE

CONTRARY TO THE NATIONAL INTERESTS. FOR SEVERAL YEARS,

14 DURING THE TIME MARTINEZ DE HOZ WAS RUNNING THE ECONOMY,

THE CENTRAL BANK OF ARGENTINA SPENT DOLLARS TO BUY ARGENTINE

12 CURRENCY. THE EFFECT OF THIS WAS TO INFLATE THE VALUE OF THE

ARGENTINE PESO. IN THE PROCESS, THE BANK DIVESTED ITSELF

10 OF MORE THAN HALF ITS DOLLAR RESERVES.

IT IS QUESTIONABLE WHETHER THOSE WHO PERFORMED THESE

8 TYPE OF ILLEGAL TRANSACTIONS CAN BE IDENTIFIED. IT HAS

NOT BEEN DETERMINED, OR LEAKED TO THE PUBLIC, WHO THE

6 BENEFICIARIES OF THESE TRANSACTIONS WOULD BE. IF THE

TRANSACTIONS AMOUNTED TO HALF OF ARGENTINA'S FOREIGN DEBT,

4 THAT IS ABOUT \$20 BILLION, A MAJOR FINANCIAL SCANDAL MIGHT

BE BREWING.]

2 ONE OF THE PROMISES MADE BY THE RADICAL PARTY DURING

THE ELECTION CAMPAIGN WAS THAT THE "ILLEGITIMATE DEBT"

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18 WOULD NOT BE PAID. PRESIDENT ALFONSIN, ON THE OTHER HAND,
20 HAS REPEATEDLY STATED SINCE TAKING POWER THAT ARGENTINA
18 WILL HONOR ITS COMMITMENTS. MINISTER OF ECONOMY GRINSPUN
HAS BEEN ASKED WHAT THE POSITION OF THE GOVERNMENT WOULD BE
16 IF IT CAN BE DEMONSTRATED THAT HALF OF THE EXTERNAL DEBT
IS "FICTITIOUS." GRINSPUN SAID THAT ARGENTINA WILL HONOR
14 ITS COMMITMENTS BUT THAT THE GOVERNMENT IS COMMITTED TO
UPHOLD AND TO MAKE OTHERS UPHOLD THE LAW. {SOURCE COMMENT:
12 ESSENTIALLY, GRINSPUN IMPLIED THAT THE GOVERNMENT WILL
NOT HONOR COMMITMENTS THAT ARE A CONSEQUENCE OF EMBEZZLEMENT
10 OR DOUBLE PAYMENTS. }

AT PRESENT, THE FORMER MAYOR OF THE CITY OF BUENOS
8 AIRES, BRIGADIER MAJOR ~~O. ACCIATORE~~ ^{ITELY} IS ON TRIAL. THE
CHARGES AGAINST HIM HAVE TO DO WITH PAYMENTS THAT THE CITY
6 OF BUENOS AIRES MADE TO PARQUES INTERAMA, S.A. IN THE
AMOUNT OF APPROXIMATELY \$168 MILLION. ACCORDING TO THE
4 EXISTING CONTRACT, PARQUES INTERAMA WAS NOT ENTITLED TO
SUCH PAYMENTS. PRESUMABLY FRAUD WAS COMMITTED AND THE
2 BENEFICIARIES OF THIS WOULD HAVE BEEN ACCIATORE, THREE
OF FOUR ADDITIONAL EMPLOYEES OF CITY HALL WHO OVERSAW THE

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TRANSACTIONS, AND PARQUES INTERAMA. {SOURCE COMMENT: THIS IS
20 AN EXAMPLE OF THE TYPE OF MANEUVERS THAT HAVE INFLATED THE
18 EXTERNAL DEBT.}

THE GOVERNMENT, AS OF JANUARY, 1984, HAS NOT BEEN
16 ABLE TO ATTACH A PRECISE FIGURE TO THE EXTERNAL DEBT INCURRED
BY THE PRIVATE SECTOR. PART OF THE REASON FOR THIS IS
14 THE FACT THAT AT THE END OF 1982, THE CENTRAL BANK OF
ARGENTINA REQUIRED BORROWERS WHO HAD COMMITMENTS WITH FOREIGN
12 CREDITORS TO USE ARGENTINE PESOS TO REPAY THEIR DEBTS THROUGH
THE CENTRAL BANK OF ARGENTINA. ONCE THE BANK RECEIVED
10 THE PAYMENT IN PESOS, IT WAS SUPPOSED TO TRANSFER THE
CORRESPONDING AMOUNT OF DOLLARS ABROAD. LOCAL BORROWERS NOW
8 ALLEGE THAT THEY HAVE ALREADY SATISFIED THEIR OBLIGATIONS,
EVEN IF THEIR LOANS APPEAR TO BE OUTSTANDING AT THE BANK.
6 THE LOCAL BORROWERS MAINTAIN THAT THEIR LOANS WOULD APPEAR
OUTSTANDING BECAUSE OF POOR BOOKKEEPING OR CRIMINAL MANEUVERS
4 BY THE CENTRAL BANK OR THE CREDITORS ABROAD.

{SOURCE COMMENT: ARGENTINA'S EXTERNAL DEBT WILL
2 NOT BE PAID. FOR 1984, 60 PERCENT OF THE EXPORTS WILL BE
AGRICULTURAL PRODUCTS. TOTAL EXPORTS SHOULD YIELD \$9.5

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20 BILLION, WHILE IMPORTS WILL REACH \$6 BILLION. THIS WOULD
 18 GIVE A SURPLUS OF \$3.5 BILLION IN THE BALANCE OF TRADE.
 16 HOWEVER, FINANCIAL CHARGES ASSOCIATED WITH THE EXTERNAL
 14 DEBT ARE ESTIMATED TO BE \$5.8 BILLION, WHICH RESULTS IN
 12 A DEFICIT OF \$2.3 BILLION. PRIVATE BANKERS ABROAD ARE NOT
 10 LIKELY TO APPROVE OF ARGENTINA'S NEW POLICIES TO DISCOURAGE
 8 OR BAN IMPORTS AND TO INCREASE TAXES. NEVERTHELESS, UNLESS
 6 SOME VERY LENIENT RESCHEDULING SETTLEMENT IS REACHED FAIRLY
 4 SOON, ARGENTINA WILL SPEND THE FORESEEABLE FUTURE CLINGING
 TO SOLVENCY BY ITS FINGERNAILS AND A CONSIDERABLE PORTION
 OF GRINSPUN'S TIME WILL BE SPENT TRYING TO PERSUADE BANKERS
 TO GIVE HIM A BIT MORE TIME. THE NERVOUSNESS THIS WILL
 GENERATE WILL HAVE A NEGATIVE EFFECT ON ARGENTINA'S ECONOMIC
 PROGRESS AND ITS ABILITY TO OVERCOME DESTABILIZING FORCES.
 SHOULD BANKERS SQUEEZE SO HARD AS TO BRING ABOUT THE DEMISE
 OF THE NEW GOVERNMENT, THEY MIGHT FIND THE PEOPLE WHO WOULD
 REPLACE THE GOVERNMENT EVEN MORE DIFFICULT TO DEAL WITH.]

~~BY B57, DECL. OADR.~~

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NOTE:

INFORMATION BASED UPON INDIANAPOLIS AIRTEL DATED
FEBRUARY 7, 1984, CAPTIONED "FOREIGN INTELLIGENCE INFORMATION."
SOURCE IS IP 6385-IA. DISSEMINATION COORDINATED WITH SA
R. C. BUSCHING, CI-2-D UNIT.