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ARGENTINA

KEY ISSUES PAPER

United States relations with one of the most important states in this hemisphere are deteriorating rapidly. The purpose of this paper is to encourage the inter-departmental group to take stock of what the effects of our human rights policies will be on our overall interests in Argentina and South America in terms of the various action options available.

Part I of the paper briefly addresses the question of Argentina's importance, outlining our interests there and a variety of other points which should be kept in mind when deciding how to treat Argentina.

Part II discusses the principal issue in our relations: human rights.

A summary of agency commentary on the PARM may be found at Attachment I.

This paper has not been cleared outside the Office of East Coast Affairs (ARA/ECA).

May 16, 1977

Dated: ARA/ECA: FERondon: jc

Concurrence: ARA/ECA: RWZimmermann

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~~Department of State, A/GIS/IPS/SRP~~

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I. THE STAKES IN ARGENTINA

Argentina has become a prime target of human rights activists for two reasons:

- The human rights situation there is terrible;
- It is assumed our interest there are in no way comparable to those in, say Korea, Iran or the Philippines.

What is Argentina's importance?

-- Argentina has Latin America's most advanced nuclear weapons prospects. (Argentina's sale of a research reactor to Peru makes it the second Third World state, after India, to export such technology.)

-- The U.S. Geological Survey has estimated that Argentina's vast continental shelf - four times larger than the U.S. Atlantic shelf - is potentially one of the world's richest oil bearing areas. The USGS puts an upper limit of 200 billion barrels to the shelf's oil potential - more than double existing proved reserves in the Western Hemisphere.

-- Argentina has immense food resources with even greater potential for production (meat and grains).

-- It is important to our polar research program in Antarctica. (Our ability to conduct research in Antarctica and to lay claim later to resources will be in large part dependent on our ability to keep our research stations open. Argentina provides needed logistical support.)

-- U.S. private investment stands at \$1.4 billion; our banks are owed \$3 billion; we have a \$250 million trade surplus. (Prospects for greater trade and investment are, of course, tremendous in the petroleum, minerals and agricultural fields.)

-- Argentina is almost wholly literate and a cultural leader in Hispanic America.

-- It is an industrialized, generally self-sufficient nation. (The recent trade deficit turnaround is a striking example of Argentina's wealth. In 1975, it had an almost \$1 billion trade deficit; in 1976 it had a \$900 million surplus. This represents an almost \$2 billion trade improvement in one year for a nation of only 25 million people.)

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-- It is a moderating, Third World influence in the North-South economic debate.

-- It has been enjoying a favorable trade balance with the USSR, Eastern Europe and PRC, running into the hundreds of millions of dollars.

-- Argentina has 1,000 miles of coastline on the South Atlantic and could play a potentially important naval defense role in the protection of critical sea lanes around Cape Horn.

-- No nation in Latin America has been more independent of the United States than Argentina. (A neutral during WWI, most of WWII, and of great concern during the Korean war when we feared a third world war, we have tried to develop cooperative defense relationships in peacetimes in order to work more closely with Argentina in time of stress. During wartime, we have been particularly concerned with Argentine exports of its food resources.)

-- If we confront Argentina, we will contribute to the development of a siege mentality there which may spur not only nuclear proliferation but also the emergence of an anti-human rights, anti-American, militarist block of states in South America. (The prospect of entrenched militarism in South America concerns Colombia and Venezuela, who have urged us not to write off Argentina.)

-- Success in nursing Argentina back toward the rule of law could have a substantial impact on neighboring military regimes.

-- Argentina's ability to return to lawful forms despite the ravages of terrorism on both the governing institutions and its enemies may offer valuable lessons to other societies. (Can modern, urban terror such as that experienced by Argentina be combatted lawfully when political and legal institutions fail? Can a government which has followed brutal repressive tactics begin to reverse itself and turn to due process?)

-- With 400,000 Jews, Argentina has one of the world's largest Jewish communities. This community is not emigrating but has expressed fears that U.S. policies may favor anti-Semitic elements in Argentine society.

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II. HUMAN RIGHTS: THE KEY ISSUE

U.S.-Argentine relations are on the threshold of serious deterioration because of human rights problems. Leftist terrorism, a sort of blind, anarchic variety, continues but at a reduced pace. Even so, President Videla's aircraft was almost blown up this year, and Foreign Minister Guzzetti very narrowly survived an assassination attempt on May 7. The Argentine government, for its part, refuses to acknowledge the names of thousands of detainees; disappearances, prolonged periods of incommunication, intimidation of lawyers, instances of anti-Semitism, and the harassment of foreign refugees are undeniable.

Of immediate concern, Argentine society may be on the verge of further polarization as the military hard-liners use real and trumped up cases of economic corruption to purge the country of "subversion." Witch hunts far more serious than those experienced up to now could ensue if hard-line policies are followed. Churchmen, politicians, academics, journalists, union leaders and Jews have all expressed their concern that ideological purges might occur if President Videla is weakened.

U.S. Actions and Argentine Reactions to Date

The United States, even before the well-advertised coup, warned Argentine military leaders that failure to respect human rights would have an impact on relations. Such representations were not made by the most senior levels of the U.S. government, however, and were not taken too seriously by the GOA.

In September we did inform the Argentine government that we would have to vote against their loans in the Inter-American Development Bank (IDB) if the Harkin Amendment was found to apply. That same month, the Fraser Subcommittee held well-publicized hearings on Argentine human rights violations. Our IDB action, the hearings and stepped up demarches presumably began to make it clear to the GOA that human rights is a serious bilateral issue.

At the end of 1976, the Argentine government began to announce the names of hundreds of people who had been released, and beginning in 1977 most arrests and releases

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were reported publicly. The accounting is selective, however, and disappearances continue.

Perhaps the most important development came early in 1977 with the initiation of Red Cross prison inspections. The fear of summary executions at prisons such as La Plata abated notably with ICRC visits.

The human rights report on Argentina, released by the House on December 31, was generally ignored by the GOA.

The present sanctions cycle did not really begin in earnest until February 1977, when the Secretary announced a halving in 1978 FMS credits for Argentina. This action was particularly offensive to the Argentine military because of the manner in which it was announced. Argentines were also offended by the double standard by which they were judged to be unimportant to U.S. security interests. The GOA turned down 1978 credits altogether.

Even before the Secretary's action, however, we had told the Argentines informally that it would be impossible to negotiate the 1977 FMS financing agreement for \$36 million unless the human rights situation changed. Concurrently, we began to deny munitions control licenses to a variety of internal security-related munitions.

Despite bitter private commentary by the Argentine military, they have restrained their public reaction to U.S. munitions policies. Presumably the GOA wishes to prevent further damage to bilateral relationships, wants to preserve what military ties exist, and is anxious to prevent spillovers into the international economic arena.

Argentina appears to have kept possibly Harkin-able loans out of the IDB since September. In March, a new factor was introduced when we voiced human rights concerns in the World Bank before voting for a \$105 million highway project. The prospect of IBRD action clearly upset the GOA, with a senior official warning that we could undermine the economic recovery program and Economy Minister Martinez de Hoz, much of whose strength (in the eyes of the military) lies in his ability to raise foreign capital. Our action in the IBRD has also led American businessmen to voice their incredulity over what they interpret to be a decision to wage economic warfare on Argentina.

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Eximbank has not yet been affected noticeably by human rights and has tended to liberalize its lending practices toward Argentina as the latter's economy improves. OPIC has been anxious to negotiate an investment guaranty agreement, which State has discouraged in light of deteriorating relationships.

In recent weeks the pressure campaign on Argentina has climbed steeply. Senior State Department and DOD officials have raised human rights with their counterparts as have a growing number of American businessmen and union officials. With the exception of the Vatican and Scandinavian countries, other governments have not distinguished themselves visibly on behalf of human rights in Argentina. Other governments, on the other hand, have done more than the United States for refugees.

Policy Alternatives for Discussion

- A. Support Videla
- B. Maintain Present Policy
- C. Apply Further Sanctions

A. Support Videla. Those in favor of this option might argue that Videla has maintained his lines of communication open to the major political parties, the unions and the Church. Leaders from these organizations believe that Videla genuinely seeks moderation but is hemmed in by military hardliners who could overthrow him and make matters worse for everybody. Under this option, we might send a high-level emissary to Videla with an offer of friendship in return for movement toward due process (notably protection of the individual from personal abuse). We could refrain from further anti-GOA action in the IFIs, law permitting, and encourage private enterprise to talk up Argentina's investment promise, without necessarily committing long-term funds. Both OPIC and Eximbank would proceed with their plans in Argentina. In defense matters, we would try to maintain the IMET program and commercial sales for munitions not associated normally with the kind of police activities being conducted today by the Argentine military. Frequent, high-level exchanges would be encouraged to include the Argentine military and civilian opinion molders. Congressional visits to Argentina would be actively recommended. Other governments could be asked to do their share to promote a moderating human rights trend in Argentina. If this option fails to show

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results, stepped up pressure as outlined in alternative B and C might be applied.

PROS

-- Best way to protect overall U.S. interests including non-proliferation.

-- Only way to induce human rights change since sanctions are ineffective.

-- Most effective way to protect U.S. citizens and exercise influence on behalf of non-American prisoners.

CONS

-- Videla is weak.

-- Argentina is a gross violator of human rights.

-- Congress would perceive a sellout of our human rights policy to material interests.

B. Maintain Present Policy. Present policy consists of the following elements:

- Representations: We are seeking to multiply representations on behalf of human rights, encouraging high-level involvement by every USG agency, American business, labor, church groups, etc. and would like to seek assistance from other governments.

- Military Transfers: Our military relations are in flux due to Congressional pressures and still evolving guidelines on arms transfers. Nevertheless, we have sought to preserve grant military training (while eliminating controversial courses in fields of intelligence or counterinsurgency) and to maintain commercial arms sales if not related directly to internal security/police functions. (There are no guidelines on what will be approved or denied. For example, should we sell helicopters and armored vehicles?)

- IFIS: In the IDB, the Harkin Amendment will be respected. In the IBRD, we are using our voice.

- Other USG agencies are being asked to approach Argentina cautiously in view of the uncertainty for our relationships.

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PROS

-- Publicly commits the United States to the improvement of human rights in Argentina, demonstrating that we are willing to give up tangible interests on behalf of such rights.

-- Only alternative which Congress might accept.

-- Allows for a gradual approach, tailored to conditions in Argentina.

-- Is not a declaration of economic warfare on Argentina, which would threaten other major U.S. interests.

CONS

-- This policy has produced meagre results.

-- Argentina has not been made to feel the damage it will risk if its policies do not change.

-- Congress will adopt mandatory sanctions against Argentina, possibly applicable to other countries, if the Administration does not take a far more active stance on behalf of human rights in Argentina.

C. Apply Further Sanctions. Those in favor of this option might argue that the situation in Argentina is terrible and is unlikely to get any better under the Videla government. Argentina would be made to suffer the brunt of our human rights goals in order to serve as an object lesson elsewhere that the United States does take human rights very seriously and is willing to back up this policy with punitive steps. The following sanctions might be applied from our arsenal:

-- Military transfers would cease forthwith.

-- IMET training would be eliminated.

-- In the IDB and IBRD, we would vote against Argentine loans that did not very clearly aid the needy. In addition, we would lobby other countries to do the same.

-- Eximbank credits would be denied.

-- American business would be encouraged to withhold new investment and loans.

PROS

- Our commitment to human rights would be unmistakable.
- In the long run, the democratic forces in Argentina would benefit.
- The American public would applaud these steps against a brutal regime.

CONS

- Human rights in Argentina might suffer horrendously; they certainly would not be advanced.
- Major U.S. interests would suffer. Atomic proliferation prospers in siege mentality states.
- These actions would represent an economic declaration of warfare and open us to charges of "moral imperialism" and to hypocrisy, because of our failure to treat other parts of the world in similar fashion.
- We would touch off a worldwide debate if we try to use the IFIS to force our will upon other states.

As noted at the beginning, this paper has not been cleared outside ARA/ECA. It is an effort to stimulate a needed review of our interests in Argentina and the steps we should take to promote human rights there.

SUMMARY OF AGENCY COMMENTS ON ARGENTINE PARM

1. ARA/PPC: IG Staff

- There is no evidence of an effort to assess the long-term effects of U.S. policies, as requested in the country specific guidance.

- The overview suggests that progress in other policy areas will depend on human rights performance by Argentina. We should avoid such linkage, notably in the nuclear non-proliferation area.

- Objective 1 (Promotion of Human Rights), course of action 5, to make Argentina more aware of U.S. interest in development of a democratic government is highly questionable. Let us concentrate on basic personal rights.

- Objective 2 (Nuclear Non-proliferation) ignores two courses of action. How might the U.S. work with the Argentines in assuring the development of a safe and steady supply of nuclear energy? How might alternative sources of energy be developed?

- Objective 6 (Develop Food Potential) raises many questions such as the tradeoff between agriculture and Argentina's other political and economic needs, and how Argentina fits into global food policies. The Embassy offers no recommendation.

2. Commerce

- We fully agree that in view of the present state of terrorism, trade promotion cannot be as effective as elsewhere.

- We are concerned that both trade and investment may be excused /ignored/ to a point which is out of focus with the real situation. Plans for staffing should be flexible to permit quick implementation once the terrorist danger is removed.

3. DOD/JCS

- The PARMS do not adequately address U.S. security interests. /Language proposed by DOD/JCS on U.S. long-term security goals will be incorporated into the PARM/.

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-- Objective 1, Promotion of Human Rights. Revise course of action 2 so that it reads as follows: Make use of tangible benefits and apply diplomatic pressures to convince the Argentine government and public of the seriousness of U.S. concern, intent and determination. Be prepared to move without excessive delay to reduce or remove current sanctions as possible and appropriate if the GOA's human rights posture shows significant improvement; conversely, be prepared with plan for selection and implementation of further sanctions if and when it is determined that the human rights situation in Argentina has deteriorated to the point where USG believes it must disassociate itself completely from the GOA regardless of damage to other U.S. interests in Argentina and regardless of likely loss of remaining leverage to influence GOA further. (JCS comments that military assistance sanctions have proven ineffectual in the past, will not affect Argentina's human rights behavior and further degrade U.S. defense interests.)

4. Treasury

- Economic concerns are given short shrift. The treatment of bilateral economic matters is cursory.

- The PARM should include: a short description of how the economic situation has changed, the external debt factor (particularly the portion owed to U.S. banks), trade issues (countervailing duties and GSP) and their effect on relations, and progress on investment disputes. /Treasury's comments will be forwarded to our Embassy, and we will request a follow-up, comprehensive report on these issues./

5. USIA

- USIA takes issue with Section II recommendation that five USIS local and six contract employees be reduced. Improved program prospects in the provinces, as security conditions improve, argue in favor of the retention of these positions. Only when full programming is reestablished, should a determination be made regarding long-term local and American personnel needs.

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POL 1-2 PARM - March 1977 (for FY-1979)