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Department of State

INCOMING
TELEGRAM

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INFO OCT-01 SS-14 ISO-00 SP-02 DHA-02 H-01 INR-05
NSC-05 NSCE-00 CIAE-00 SSO-00 INRE-00 /036 W
-----012049Z 026539 /54 S

O 011841Z JUN 77
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC IMMEDIATE 6232
TREAS DEPT IMMEDIATE

~~SECRET~~ SECTION 1 OF 2 GUATEMALA 3446

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TREASURY FOR PETER BRIDGES

E.O. 11652 GDS
TAGS: OCON, EFIN, SHUM GT
SUBJ: SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINA
REF: GUATEMALA 3418, BRIDGES-BITNER TELECC I

AS PER REQUEST BY MR. PETER BRIDGES THERE FO LWS MEMCON OF
SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINE MINISTER
OF ECONOMY MARTINEZ DE HOZ:

MEMORANDUM OF CONVERSATION

PARTICIPANTS:

ARGENTINA: JOSE ALFREDO MARTINEZ DE HOZ, MINISTER OF ECONOMY
ALDOLFO CEXAR DIZ, PRESIDENT OF THE CENTRAL BANK
DANTE SIMONE, EXECUTIVE DIRECTOR, IMF
U.S.

MICHAEL BLUMENTHAL, SECRETARY OF TREASURY
C. FRED BERGSTEN, ASSISTANT SECRETARY OF THE SURY
ARNOLD WACHMANOFF, DEPUTY ASSISTANT SECRETAR OF TREASURY
RICHARD ARELLANO, DEPUTY ASSISTANT SECRETARY OF STATE
EDWARD BITNER, OFFICE OF DEVELOPING NATIONS FINANCE, TREASURY
TIME AND PLACE: MAY 31, 1977 - U.S. CHANCERY GUATEMALA

SUBJ: BILATERAL MEETING WITH ARGENTINA

MARTINEZ DE HOZ SAID HE WAS GRATEFUL FOR OPPORTUNITY TO EXPLAIN
PERSONALLY TO SECRETARY BLUMENTHAL THE ECONOMIC PROGRESS THAT
ARGENTINA HAS MADE SINCE THE ADMINISTRATION OF VIDELA. HE BEGAN
BY GIVING A DETAILED DESCRIPTION OF THE POLITICAL MACHINATIONS
LEADING UP TO THE MILITARY TAKEOVER IN 1976 EMPHASIZING
THAT THE MILITARY RELUCTANTLY ASSUMED POWER WHEN PERON'S WIFE HAD
LOST CONTROL OF THE POLITICAL SITUATION AND THE ECONOMY HAD REACHED
"TROUGH BOTTOM". HE SAID HE AGREED TO BE MAN'S REP OF ECONOMY ONLY
IF HE HAD THE COMPLETE POLITICAL BACKING OF THE MILITARY AND IF
HE WOULD HAVE CONTROL OVER ALL MINISTRIES INCLUDING THE ECONOMY.
THE MILITARY WHERTED A LEGION OF TERRORIST ORGANIZATIONS WHICH
PERON HAD BACKED IN ORDER TO OPPOSE THE PREVIOUS GOVERNMENTS
BUT WHICH ULTIMATELY GOT OUT OF CONTROL.

MARTINEZ DE HOZ REITERATED THE ECONOMIC PROGRESS WHICH HAS
BEEN MADE UNDER HIS LEADERSHIP. HE POINTED OUR ATTENTION TO BOOKS
WITH CHARTS SHOWING INTER ALIA DECREASE IN UNEMPLOYMENT,
DECREASE IN MONETARY EXPANSION, INCREASE IN AGRICULTURAL PRO-
DUCTION, ENERGY PRODUCTION AND EXPORT SHIPMENTS, REDUCTION IN
GOVERNMENT DEFICIT, DECLINE IN RATE OF INFLATION, AND IMPROVE-
MENT IN EXTERNAL SECTOR. HE SAID HE WAS ABLE TO CONVINCE THE
POPULATION ABOUT THE NECESSITY OF A DECREASED GROWTH IN REAL WAGES
AS THE PRICE FOR ACHIEVING STABILITY.

BLUMENTHAL SAID HE ADMIRER THE PROGRESS IN THE ECONOMY WHICH
HAD BEEN MADE AND UNDERSTANDS THE POLITICAL SITUATION ARISING
FROM THE TERRORISM WHICH FLOWS FROM PREVIOUS GOVERNMENTS. HE STATED
THE FACT THAT THE BENEFIT OF PROGRESS WHICH HE PREVIOUSLY HAD
BEEN ADVISED TO BE RELAYED TO THE PEOPLE WAS NOT BEING
THESE. THE DISSENT WHICH SURVIVED HAD TO BE ELIMINATED BY THE
AND THE GENERAL PATTERNS OF AGRICULTURE WHICH WOULD BE

DE HOZ IF HE SAW A WAY TO MOVE FROM EXTRA LEGAL METHODS OF CON-
TROL TO THE NORMAL LEGAL PROCESS IN HANDLING TERRORISTS.

MARTINEZ DE HOZ SAID THAT WHILE ARGENTINA ADMIRES U.S. TRADITIONS
AND LAWS AND CITED THE COMMON HISTORY, THE PRESENT SITUATION
IS HIGHLY ABNORMAL STEMMING IN PART BY INHIBITION OF THE JUDICIARY
TO SENTENCE TERRORISTS BECAUSE OF FEAR OF RETRIBUTION AGAINST
THEMSELVES AND THEIR FAMILIES. THE POLICE BECAME DISCOURAGED WHEN
TERRORISTS BROUGHT TO TRIAL WERE ALWAYS SET FREE. THUS, A POLICY
OF TAKING NO PRISONERS WAS ADOPTED. LIKEWISE, YOUNG MILITARY
OFFICERS TOOK MATTERS INTO THEIR OWN HANDS. MARTINEZ DE HOZ
SAID PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS.
CONSIDERABLE PROGRESS HAS BEEN MADE IN WIPING OUT THE TWO MAIN
TERRORIST GROUPS AND HE ANTICIPATES GRADUAL IMPROVEMENT IN
RESTORING HUMAN RIGHTS OVER THE NEXT FEW MONTHS.
BOSTER

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ACTION ARA-06

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CONGRESS'S POSITION FIRMLY TO MARTINEZ DE HOZ SUBSEQUENT
TO THE LATTER'S BILATERAL WITH SECRETARY BLUMENTHAL. U.S.
EXECUTIVE DIRECTOR RALPH DUNCAN MADE THE SAME CASE ON A
DIFFERENT OCCASION TO MARTINEZ DE HOZ.
BOSTER

O 011641Z JUN 77
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC IMMEDIATE 6233
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~~SECRET~~ SECTION 2 OF 2 GUATEMALA 3446

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TREASURY FOR PETER BRIDGES

BLUMENTHAL SAID THAT WHILE WE ARE UNDERSTANDING IF ARGENTINA'S
PROBLEM AND WE DON'T WISH TO INTERFERE INTERNALLY, THE CARTER
ADMINISTRATION MUST BE CONSISTENT IN THE PURSUIT OF HUMAN RIGHTS.
THE HARKIN AMENDMENT REQUIRES US TO VOTE AGAINST LOANS BY THE IDB
FOR COUNTRIES WITH GROSS VIOLATIONS EXCEPT IN THE CASE OF THE
NEEDY. THE BADILLO AMENDMENT, WHICH ALREADY HAS PASSED THE HOUSE
WOULD EXTEND THIS LAW TO OTHER IFI'S. WHILE HUMPHREY
AMENDMENT WOULD PROVIDE MORE FLEXIBILITY, THE ADMINISTRATION IS AS
A MATTER OF ITS OWN POLICY AND CONVICTION, COMMITTED TO THE
ADVANCEMENT OF HUMAN RIGHTS. HE SUGGESTED, THEREFORE, THAT IT
MIGHT BE ADVISABLE FOR ARGENTINA TO POSTPONE APPLICATIONS FOR
LOANS UNTIL IT COULD SHOW SOME DEFINITE IMPROVEMENT IN HUMAN RIGHTS.

MARTINEZ DE HOZ SAID THAT PRESIDENT VIDELA IS COMMITTED TO
RESTORING HUMAN RIGHTS AS SOON AS POSSIBLE. ARGENTINA HAS TWO
LOANS IN THE PIPELINE FOR IDB CONSIDERATION WHICH COULD BE HELD
UP. BUT HE IS CONCERNED ABOUT A \$100 MILLION LOAN FOR THE NATIONAL
DEVELOPMENT BANK WHICH IS BEING CONSIDERED BY THE IBRD. HE
EXPRESSED CONCERN THAT ARGENTINA WOULD NOT BE ABLE TO UTILIZE ITS
\$300 MILLION QUOTA WITH THE IBRD IF THE LOAN WERE DELAYED TO THE
NEXT FISCAL YEAR. HE SAID HE HOPED THAT THIS LOAN MIGHT GET
THROUGH THE "NEEDY" LOOPHOLE ON THE GROUNDS OF EMPLOYMENT GENERATION.

BLUMENTHAL RESPONDED BY INDICATING THAT THE IBRD LOAN IS VERY
LIKELY TO PRESENT PROBLEMS FOR US.

MARTINEZ DE HOZ BECAME SOMEWHAT DEFENSIVE AND ASKED WHO
WORRIES ABOUT HUMAN RIGHTS FOR THE VICTIMS OF THE TERRORISTS.

ARELLANO SAID THERE IS NO WAY OF RATIONALIZING HUMAN RIGHTS
VIOLATIONS.

IN RESPONSE TO BLUMENTHAL'S QUESTION ABOUT ASSERTIONS OF
ANTI-SEMITISM IN ARGENTINA, MARTINEZ CLAIMED THERE WAS NO SUBSTANCE
TO THE CHARGES.

BLUMENTHAL SAID HE BELIEVES THAT THE U.S. POSITION IS CLEAR.
WE HOPE TO SEE IMPROVEMENT IN HUMAN RIGHTS MADE QUICKLY AND WOULD
LIKE TO BE INFORMED CONCERNING PROGRESSMADE.

BLUMENTHAL REITERATED U.S. OPPOSITION TO ANY INCREASE IN
SALARY FOR IDB EXECUTIVE DIRECTORS AND ASKED FOR ARGENTINA'S
SUPPORT.

MARTINEZ DE HOZ AGREED TO DISCUSS SALARY ISSUE WITH ORTIZ MENA
WITH THE OBJECTIVE OF HAVING IT PUT ASIDE. HE THEN BROUGHT UP THE
POSSIBILITY OF INTAL BEING ELIMINATED, OR TRANSFORMED. SINCE
INTAL IS THE ONLY INTERNATIONAL ORGANIZATION LOCATED IN ARGENTINA
MARTINEZ DE HOZ IS ANXIOUS THAT IT REMAIN THERE IN SOME FORM.

BERGSTEN SAID THAT AS THE SECRETARY INDICATED IN HIS IDB
MEETING SPEECH, THE U.S. WISHES TO STUDY THE FUTURE OF INTAL.

MARTINEZ DE HOZ THANKED THE SECRETARY FOR BEING ABLE TO SPEAK
FRANKLY ABOUT THE SITUATION IN ARGENTINA.

AS REPORTED PERTEL CONGRESSMAN BAO LLO EXPLAINED

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