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EMBASSY OF THE
UNITED STATES OF AMERICA

Buenos Aires

September 20, 1978

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Mr. James Bumpus ARA/ECA
Ms. Roberta Cohen HA/HR
Department of State
Washington, D. C. 20520

Dear Jim and Roberta:

Although the horse may be out of the barn and Ambassador Castro carrying the message from Washington to Viola on Friday;

Although I do not know what REALLY went on in Rome between Videla and Mondale;

Although the EXIM Yaciretá-Allis Chalmers deal may have a U.S. domestic twist which takes precedence over our bi-lateral and regional human rights concerns;

I still would like to share the following ^{PERSONAL} local concerns:

First, ^{EXIM piece of the} the Yaciretá project is at present politically and economically dead. Economically, the deal was a sweetheart arrangement between Allis Chalmers and the Argentine Navy and was exempted from competitive bidding. Whose fingers or palms were in the pie, I do not know; but the deal had a definite scent. Alemann, Senior Finance Ministry official, has been giving thanks to EXIM in private for saving Argentina from another non-economic military run industry.

The deal is not to produce and export turbines from the U.S., but called for Allis Chalmers to build a turbine factory in Argentina for the Navy. Instead of buying the

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turbines cheaply from the Russians, the Navy would start another local military industry. Politically, all the officials here connected with the Allis Chalmers arrangement have blasted EXIM, the U.S., and Patt Derian for the perfidy. To see the Navy-Allis Chalmers corpse rise from the dead will be a wondrous feat. It will restore my faith in the dollar.

Second, the word is out in town that Mondale and Videla struck a Roman deal -- EXIM financing for a IACHR site visit. Once we even hint that EXIM money is back on stream, every hardliner in town will be on edge to stop the IACHR visit. I personally doubt that Videla-Viola, given their low present state of power, could pull off the IACHR visit. (Remember Videla is still on the brink of ratifying Tlatelolco - a year after his promise to the President.) Our caving on EXIM financing without any improvement in the human rights situation here will convince the hardliners that they have stared down the Yankees or the dollar, not southern idealism, still rules in Washington. But the smarter ones will start defending their flanks from an invasion of OAS Human Rights inspectors.

Third, the EXIM decision and Patt's forthright defense of it before Yatron's Subcommittee boosted morale greatly here among the human rights activists. This hardy band sees no progress at all by the Videla government in the human rights area, except for some cosmetic moves regarding PEN detainees last year. Our unexplained turnaround will be seen as a major loss of support from their principal ally. It will be bitter.

Fourth, government spokespersons and the press here (and in neighboring countries) will see this as a major victory. The GOA has been very successful in transfiguring our human rights initiatives in the Argentine mind into an anti-Argentine effort by a small clique of State Department radicals who wish to impose democratic government on Argentina. The EXIM decision will vindicate their war within the State Department view -- only this time they will point out that the good guys won.

Fifth, and most serious, will be the opening for misinterpretation here that this change in our means indicates a change in our ends. A tactical change made for real-politik reasons in Washington will be interpreted wrongly here as a softening in our human rights policy. (I trust

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that the basic policy is still intact.) It is hard to see this Embassy lobbying hard against that natural assumption as our human rights policy goes everyone's programmatic ox here.

This is too breezy a letter for this serious subject and I apologize. The EXIM turnaround presents real and future problems for the achievement of our human rights objectives here. From here the decision looks too political and too short term. It is a major step backward. I only hope that the payoff in Washington or from the Argentines will make it worthwhile in the end.

We will keep a lamp in the window.

Cheers,

Taf

*This is a dissent
official - informal in lieu
of the telegraphic S/P
channel.*

c.c. AMB

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