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DEPARTMENT OF STATE

BRIEFING MEMORANDUM

7818449

HA

S/S

P.P. 2 SEP 21 1978

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To: The Acting Secretary
From: ARA - Viron P. Vaky
Subject: Argentina after October 1.

Φ HR - Argentina.
EMBARGO

In response to your query, the consequences of the Humphrey-Kennedy amendment for Munitions List and FMS items will be as follows:

Munitions List

-- We will need to return the pending license applications (some 220 applications valued at about \$110 million) under a covering letter stating that the license can no longer be issued and giving an explanation of why the application was not acted upon before October 1.

-- We may receive requests for replacement licenses permissible under the Brooke amendment. We are not aware of any current cases beyond the six decided by you (your memorandum of August 14; Spiegel memorandum of August 25); however, any of the licenses carrying over into the new Fiscal year, such as the cases recently approved by you, could result in such a request.

-- The Argentines and some U.S. suppliers will be left with equipment acquired under commercial contracts but no longer exportable. We do not know what the dimensions of this problem will be but believe it will be substantial. Who will bear the burden in these cases, will partly depend on whether the Argentines and their immediate suppliers have cancellation/force majeure clauses in their contracts, (vis-a-vis each other and vis-a-vis sub-contractors). The U.S. Government will not of course have any responsibility.

They've had a year to settle this

FMS

-- As you know, no new letters of Offer and Acceptance (LOA's) can be issued after October 1.

-- The FMS pipeline can be delivered, as long as

Department of State, A/GIS/IPS/SRP
Change to
() Release () Excise () Deny (X) Declassify
Exemptions b () () E.O. 13526 25x () ()
Declassify after
With concurrence of: obtained not obt.
IPS by Date 12-2-78

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GDS

3 on p. 2.

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What is the Alternative?

no private commercial freight forwarders are involved.

Other Problems

-- U.S. suppliers will be unable to honor warranties and guarantees requiring licenses, on materials and equipment already shipped. (Some U.S. suppliers might become liable financially). Similarly, no spare parts will be deliverable on any of these materials and equipment, although in the large majority of cases such spare parts should be obtainable commercially outside the U.S.

C.W.R.

Drafted: ARA/ECA: CWRuser:jma
9/12/1978 x 20913

Concurrence: PM/MC: WRobinson (phone)
HA: SCohen *by: C.W.R.*

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ARGENTINA

Pipeline for August

Undelivered Balances. FMS undelivered balances totalled \$47,900,000 as of September 30, 1977; \$46,921,000 as of December 31, 1977 and \$43,152,000 as of June 7, 1978. Comparative figures for these dates, broken down by category, follow: (\$000s)

	9/30/77	12/31/77	6/7/78
Aircraft & spare parts	\$20,423	\$19,577	\$19,514
Ships & spare parts	7,396	7,396	6,916
Vehicles & weapons spare parts	794	779	1,077
Ammunition	3,748	3,801	3,662
Communications equipment	3,600	3,574	3,605
Other equip't & supplies	5,942	5,945	2,713
Repair & rehab equip't	1,374	1,406	1,407
Supply operations	\$ 2,557	2,391	2,356
Training	336	478	382
Other services	985	990	938
Non-specific requirements	614	581	581
TOTAL COUNTRY PROGRAM	\$47,790	\$46,921	\$43,152

~~MS~~
~~RC~~
Pettis
Jones

① CC: Jones

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WSC
FIC Argentina

PM/SAS-RTitus 6/23/78

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Box 2

Argentina