

September 7, 1978

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MEMORANDUM TO MR. CHRISTOPHER

Subject: Argentina and Eximbank

In preparation for our meeting with John Moore of the Export-Import Bank I feel we will want a very precise idea of the issues and the problems relating to Argentina.

In our meeting this morning John Moore made the point that once we have issued a letter of interest to the Yacyreta Hydro on behalf of Allis Chalmers and other potential bidders it will be very difficult to respond to other applicants for Exim credits relating to Argentina.

As the attached list shows, there are only two requests for letters of interest - one from Yacyreta and one for Celulosa Argentina (Beloit). The other pending cases represent five requests for preliminary commitments and four for direct credits or guarantees.

John Moore makes the point that if the Bank issues a letter of interest it clearly intends to go forward with the financing unless there is a major change in the circumstances. Nevertheless I think the general perception would be that a preliminary commitment and certainly agreement on credit would represent firmer commitments than the letter of interest.

We can probably meet the problem of pressures for letters of interest by recommending to the Bank that they issue such letters to both Allis Chalmers and Beloit. The issuance of such letters, once an acceptable invitation has been issued to the Inter-American Human Rights Commission, can probably be

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handled in a manner consistent with our policy. We would accompany the move by advance Congressional consultations and by a press release which would stress that, in anticipation of progress on human rights, we were issuing letters of interest. Such letters would clearly state that the ultimate granting of the credit would depend upon the fulfillment of statutory requirements (including human rights).

Once this is done, however, it will immediately bring pressures, particularly from Boeing and from Great Lakes Dredge, for an immediate grant of credit in the one case and a preliminary commitment in the other.

The granting of the letters of interest can probably be handled with a minimum risk of appearing to reverse the policy completely. The next step of either a preliminary commitment or credit would be more difficult to defend in the absence of more specific progress from Argentina. I think it should be clearly understood that the invitation to the Commission is not likely to bring other positive results and the Commission's report could be a very negative one.

We would seem, therefore, to have the following options:

1. Hold the line until there is demonstrable progress in Argentina, including not issuing any letters of interest.
2. Issue the letters of interest to Allis Chalmers and Beloit under the circumstances suggested above just prior to September 15 but maintain a hold on other transactions until there is clear progress.

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3. Agree to a relaxation on all Exim transactions following the acceptance by the Commission of the invitation to visit Argentina. A variation would be to wait until after the visit but this risks encountering a strongly negative reaction as a result of the Commission's report.

While appreciating that there is a general inclination to move on at least the letters of interest, I believe you may wish to alert the Secretary and possibly the President to the fact that the issuance of the Allis Chalmers letter of interest may pose wider problems.

David D. Newsom

Attachment

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