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INFO OCT-01 ADS-00 SSO-00 /031 W
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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 2937

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C O R R E C T E D C O P Y - (SECTION INFO 1 OF 2 VICE 1 OF 3)

E.O. 12065 XDS-4 10-26-99 (CASTRO, RAUL H) OR-M
TAGS PINT, AR
SUBJECT TENTATIVE CONCLUSIONS FROM EATON'S VISIT TO BUENOS AIRES

1. (C-ENTIRE TEXT)

2. DURING HIS VISIT TO BUENOS AIRES OCTOBER 17-20
DAS EATON HAD CONVERSATIONS WITH LEADING MILITARY,
FOREING MINISTRY AND ECONOMIC OFFICIALS; PRINCIPAL
POLITICAL PARTY LEADERS; A MAJOR LABOR FIGURE; FIVE
LEADING HUMAN RIGHTS SPOKESMEN; PRIVATE SECTOR BUSINESS-
MENT; A GROUP OF FORMER ARGENTINE FOREIGN MINISTERS AND
AMBASSADORS TO THE UNITED STATES; AND MOST OF THE
MISSION STAFF. THE FOLLOWING ARE HIS PRINCIPAL
CONCLUSIONS FROM THIS BRIEF BUT INTENSIVE EXPOSURE:

A. THE ARGENTINE GOVERNMENT IS MAKING PROGRESS IN BASKET
ONE OF HUMAN RIGHTS, ALTHOUGH ABUSES CONTINUE; AND ITS
PRESENT LEADERSHIP INTENDS TO CONTINUE THAT PROGRESS IN
TERMS OF RELEASING PRISONERS AND RETURNING TO DUE PROCESS
OF LAW, THOUGH MORE GRADUALLY THAN WOULD BE IDEAL. IT
HAS NOT FOUND A WAY OF DEALING WITH THE ISSUE OF THE
DISAPPEARED.

B. BASKET TWO HUMAN RIGHTS ARE NO REPESENT PROBLEM IN

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THIS RELATIVELY WEALTHY AND SOCIALLY ADVANCED COUNTRY
WITH AN OVERHEATED ECONOMY AND 1-2 PERCENT UNEMPLOYMENT.
THEY CAN BE IN THE FUTURE, HOWEVER, IF INFLATION IS NOT
GOTEN UNDER CONTROL. MORE ABOUT THAT LATER.

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C. THE GOVERNMENT HAS PLANS IN MIND REGARDING BASKET THREE HUMAN RIGHTS THAT CAN BE PROMISING. IT HOPES TO ISSUE A "POLITICAL PROPOSAL" BY DECEMBER THAT WOULD SET FORTH THOSE PLANS IN BROAD TERMS. IT EVIDENTLY CONTEMPLATES CONSULTATIONS WITH POLITICAL PARTIES THERAFTER AND THE ELABORATION OF A LAW ON, OR REGULATIONS REGARDING, POLITICAL PARTIES. THEN POLITICAL PARTIES COULD BEGIN SUBSTANTIAL ACTIVITY IN MID-1980 ACCORDING TO CURRENT PROJECTIONS WITHIN THE GOVERNMENT. NO SPECIFIC DATES FOR RETURN OF THE COUNTRY TO CIVILIAN, DEMOCRATIC LEADERSHIP WOULD BE SET AT THIS JUNCTURE. THE MODERATES IN THE MILITARY ARE THINKING OF 1984, AFTER THE NEXT 3 YEAR MILITARY PRESIDENTIAL PERIOD. OTHERS IN THE MILITARY ARE THINKING OF LATER. NEITHER GROUP WANTS TO FORCE A DECISION ON DATES NOW. HAVING TAKEN OVER GOVERNMENT IN 1976 SOMEWHAT RELUCTANTLY AND AT THE INSTANCE OF A BROAD RANGE OF POLITICAL AND OTHER PRIVATE INTERESTS, AND HAVING EXPERIENCED IN THE PAST A SERIES OF CYCLES FROM MILITARY RULE THAT SOLVED LITTLE TO CIVILIAN GOVERNMENT THAT PROVED INEFFECTUAL AND BACK AGAIN TO MILITARY GOVERNMENT, THIS MILITARY GOVERNMENT -DESPITE DISAGREEMENT WITHIN THE MILITARY HOW TO ACCOMPLISH THIS, AND NOTWITHSTANDING SETBACKS IN THE PROGRESS SO FAR -WANTS IN PRINCIPLE, TO PREPARE THE GROUND BETTER FOR STABLE AND LONGER-LASTING CIVILIAN RULE (ALTHOUGH STILL PROBABLY WITH TRADITIONAL ARGENTINE MILITARY OVERSIGHT). MOREOVER, THE FACT IS THAT THIS IS PRECISELY THE DESIRE OF MOST ARGENTINE POLITICAL AND CIVILIAN LEADERSHIP AT THIS TIME. NO ONE WITH WHOM EATON TALKED WAS PRESSING FOR IMMEDIATE RETURN TO CIVILIAN LEADERSHIP. THERE SEEMS

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TO BE A CONSIDERABLE, ALTHOUGH BY NO MEANS COMPLETE, CONSENSUS THAT ESTABLISHMENT OF A NEW CONSTITUTIONAL REGIME SHOULD COME ONLY AFTER A PERIOD -NOT TOO PROLONGED, TO BE SURE-OF INSTITUTIONAL, ECONOMIC AND SOCIAL PREPARATION. D. MOREOVER, THERE SEEMS TO BE SURPRISINGLY WIDE RANGE OF OPINION THAT THERE SHOULD NOT BE DEEP RECRIMINATIONS OR REPRISALS. MEMORIES OF THE BRUTAL EXCESSES OF THE MILITARY OVER THE LAST THREE YEARS ARE TOO MIXED WITH MEMORIES OF THE PRIOR BRUTAL EXCESSES OF THE TERRORISTS THAT BROUGHT SO MANY IN THE COUNTRY TO SEEK AND WELCOME AT THE OUTSET THE MILITARY TAKEOVER. IN ADDITION, THERE IS THE PRACTICAL POLITICAL RECOGNITION THAT FEAR OF REPRISALS COULD KEEP THE MILITARY IN POWER BEYOND THE TIME REASONABLY NEEDED FOR INSTITUTIONAL AND ECONOMIC PROGRAM PREPARATION FOR RETURN TO DEMOCRACY.

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E. FINALLY, DESPITE TENSION WITH THE UNITED STATES OVER HUMAN RIGHTS, THE PRESENT ARGENTINE GOVERNMENT CONTINUES TO WANT GOOD RELATIONS. THERE ARE DEEP RESENTMENTS IN THE GOVERNMENT, AND ALSO IN SOME CIVILIAN SECTORS, OVER PERCEIVED LACK OF US UNDERSTANDING OF THE PAST SERIOUSNESS OF THE TERRORIST PROBLEM AND OVER US PRESUMPTION TO TAKE PUBLIC POSITIONS SO QUICKLY AND FREQUENTLY ON ARGENTINE INTERNAL POLICIES. DEFENSIVE, OR OFFENSIVE, NATIONALISM, BORDERING ON XENOPHOBIA, EXISTS, AND COULD BECOME STRONGER IN THE FUTURE, NOT ONLY IN THE MILITARY BUT ALSO IN THE FOREIGN AFFAIRS COMMUNITY AND ON THE PART OF SOME POLITICAL LEADERS (ET, BALBIN). BUT FORTUNATELY THERE IS ALSO A CONSIDERABLE SENSE OF HAVING MADE ERRORS, AND APPRECIATION OF THE US POSITION IN PRINCIPLE, IF NOT IN PRACTICE, AND (STILL) OF THE LONGER TERM COMMONALITY OF POLITICAL AND SECURITY OBJECTIVES. IN OTHER CIVILIAN SECTORS, PARTICULARLY LABOR, SUPPORT FOR AND APPRECIATION OF THE US HUMAN RIGHTS POSITION IS VIRTUALLY UNQUALIFIED, EXCEPT FOR SOME FEELING THAT IT IS AT TIMES MORE HEAVY-HANDED THAN IS WISE.

F. SO FAR, SO GOOD. BUT THIS RELATIVELY FAVORABLE SCENARIO CAN EASILY BREAK DOWN, AND THERE ARE THREE

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PRINCIPAL REASONS THAT IT MIGHT;

1. LOSS OF CONTROL BY THE "MODERATE" MILITARY LEADER-

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SHIP. VIDE LA, VIOLA AND THEIR SYMPATHIZERS, PROBABLY INCLUDING GALTIERI, COULD LOSE CONTROL TO EITHER HARDER-LINERS WHO DO NOT AGREE WITH THEIR IDEAS FOR PROGRESS IN BASKETS ON AND THREE OF HUMAN RIGHTS OR A CAUDILLO WITH STRONG PERSONAL AMBITIONS. A RECRUDESCENCE OF TERRORISM, A BREAKDOWN OF THE MODERATES' POLITICAL OR ECONOMIC PROGRAM, OR A LACK OF ACERTAIN LEVEL OF PATIENCE AND UNDERSTANDING FROM ABROAD COULD CONTRIBUTE DECISIVELY TO THIS.

2. BREAKDOWN OF THE TENUOUS RELATIONSHIP BETWEEN THE MILITARY AND THE PERONISTS. THEY ARE THE TWO PRINCIPAL POLITICAL FORCES IN THE COUNTRY. THEY ARE IN A SORT OF UNEASY TRUCE. NEITHER CAN COMFORTABLY COOPERATE EXPLICITLY WITH THE OTHER IN THE PREPARATION FOR RETURN TO DEMOCRACY. YET THERE MUST BE AT LEAST IMPLICIT COOPERATION IF THE PROCESS IS TO EVOLVE ACCORDING TO THE SCENARIO SKETCHED ABOVE. THE SHOCKS OF THE LAST DECADE HAVE HAD A SOBERING EFFECT THAT FAVOR DIALOGUE, COMPROMISE AND A DEGREE OF COOPERATION AMONG THE PRINCIPAL FORCES ON THE ARGENTINE SCENE. BUT IT IS NOT CLEAR THAT THE EFFECT IS YET SUFFICIENT. IT IS QUITE POSSIBLE, ALTHOUGH IN NO ONE'S BENEFIT, THAT ARGENTINA MAY HAVE TO GO THROUGH EVEN MORE SERIOUS TRAUMAS IN THE COMING DECADE BEFORE IT FINALLY SETTLES INTO A STABLE PERIOD IN ONE DIRECTION OR ANOTHER.

3. FAILURE OF THE ECONOMIC PROGRAM. THIS, IN FACT, MAY

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BE THE MOST CRITICAL FACTOR NOW. THIS MILITARY GOVERNMENT EMBARKED FROM THE OUTSET ON A BOLD EFFORT TO LIBERALIZE AND OPEN UP THE ARGENTINE ECONOMY. IT HAS HAD SOME SUCCESS IN THIS REGARD, BUT IT HAS A LONG WAY TO GO. ITS LEADERSHIP INSISTS IT WILL CONTINUE THIS EFFORT NO MATTER WHAT, BUT THE OPPOSITION FROM TRADITIONAL VESTED INTERESTS AND THE OLD "DEVELOPMENTALISTS" IS STRONG. THIS MILITARY GOVERNMENT ALSO SET OUT TO CONTROL INFLATION, BUT ITS EFFORTS IN THIS REGARD HAVE BEEN HALFHEARTED, AND NOW IT HAS FALLEN BACK ON WHAT MAY PROVE TO BE INEFFECTUAL GIMMICKS UNLESS ACCOMPANIED BY MORE EFFECTIVE COMPLEMENTARY MEASURES RESTRICTING MONETARY LIQUIDITY BECAUSE IT CANNOT, OR WILL NOT, FACT THE PROSPECT OF A TIGHTENING UP THAT WOULD LEAD TO EVEN A WHIFF OF UNEMPLOYMENT. THIS RELUCTANCE TO FACE UP TO INFLATION (NOW AT AROUND 150 PERCENT) WILL, UNLESS OVERCOME, IN TIME INEVITABLY BRING SOCIAL AND POLITICAL

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TENSIONS THAT WILL DOOM HOPES FOR A POLITICAL OPENING IN ANY NEAR TERM AND PERHAPS PRODUCE A NEW, EXTREME NATIONALIST, AUTARCHIST CAUDILLO OR WORSE. AT THE SAME TIME, THE MONETRAY RESTRAINT AND COOLING OFF OF THE ECONOMY THAT IS NEEDED WILL NOT BE POLITICALLY EASY EITHER. IT WILL PROBABLY REQUIRE NEW (AND BETTER) ECONOMIC LEADERSHIP AND DIALOGUE AND COMPROMISE AMONG THE GOVERNMENT, THE POLITICAL PARTIES, LABOR AND BUSINESS AT A LEVEL DIFFICULT TO ACHIEVE AT BEST. BECAUSE OF THE CENTRAL IMPORTANCE OF CONTROL OF INFLATION, TO ARGENTNA'S MEDIUM-TERM HOPES FOR A STABLE DEMOCRACY RESPECTFUL OF THE FULL RANGE OF HUMAN RIGHTS, AND ORIENTED IN OREIGN AFFAIRS FAVORABLY FOR THE US, THE ETERMINATION OF ARGENTINA'S FUTURE ECONOMIC POLICY IS NOW THE MOST SIGNIFICANT GEM IN BUENOS AIRES AFTER THE MILITARY COMMAND SUCCESSION ISSUE, AND ONE THAT THE ARGENTINES, AND WE, SHOULD PAY A GREAT DEAL MORE ATTENTION TO THAN IS PRESENTLY THE CASE.

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Document Information	
DOC_NBR	1979BUENOS08866
FILM	D790491-0006