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DEPT PLEASE PASS WHITE HOUSE FOR DR. BRZEZINSKI

E.O. 12065: XDS-1 1/23/00 (RUSER, CLAUS W.) OR-M
TAGS: EAGR EEWT AR
SUBJECT: (C) GENERAL GOODPASTER'S MISSION: MARTINEZ DE HOZ'S
PROPOSAL ON GRAIN EXPORT RESTRAINTS

1. C- ENTIRE TEXT.

2. GENERAL GOODPASTER, ACCOMPANIED BY AMBASSADOR AND
ECA DIRECTOR RUSER, MET TODAY WITH FOREIGN MINISTER
PASTOR AND MINISTER OF ECONOMY MARTINEZ DE HOZ. DURING
WIDE-RANGING DISCUSSION ARGENTINE COOPERATION IN
RESTRICTIONS ON GRAIN SALES TO THE SOVIET UNION WAS
THOROUGHLY DISCUSSED. ARGENTINE POSITION INITIALLY
WAS NEGATIVE AND ARGENTINES QUESTIONED US GRAIN SALES
INTO TRADITIONAL ARGENTINE MARKETS. HOWEVER, MARTINEZ
DE HOZ ULTIMATELY OUTLINED AN APPROACH FOR INFORMAL
ARGENTINE COOPERATION, TO BE KEPT ON A
CONFIDENTIAL BASIS, WHILE REFUSING TO CONSIDER FORMAL
CONTROLS.

*re grain
Jan 23?
I think Jan 23*

3. MARTINEZ DE HOZ SAID GOA WAS NOW LOCKED INTO A
PUBLIC POSTURE AGAINST EXPORT CONTROLS, WHICH IT WOULD
BE VERY DIFFICULT TO REVERSE. FURTHERMORE, HE DID NOT
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THINK SUCH CONTROLS WOULD BE EFFECTIVE, GIVEN THE
POSSIBILITIES OF EVASION AND DIVERSION. ON THE OTHER
HAND, MARTINEZ DE HOZ EXPRESSED CONCERN THAT ARGENTINA
IS LOSING ITS TRADITIONAL MARKETS IN THE WEST (ITALY

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AND SPAIN FOR CORN, JAPAN FOR SORGHUM) TO THE UNITED STATES, AND HE HAD NO PROBLEM IN PRINCIPLE WITH THE CONCEPT THAT THE PATTERN OF ARGENTINE EXPORTS SHOULD CONFORM WITH HISTORIC LEVELS. HE STRESSED, HOWEVER, THAT ARGENTINA'S EXPORTS TO THE SOVIET UNION HAD BEEN INCREASING, AND THAT THE GOA HAD NO WAY OF POLICING RESALE OF ITS EXPORTS. HE CLAIMED THAT THE ISSUE OF COOPERATION IN THE US RESTRICTIONS WAS BASICALLY ONE BETWEEN THE US AND ARGENTINA SINCE NONE OF THE OTHER GRAIN EXPORTERS, WHICH HAD PLEDGED COOPERATION, WERE SUBSTANTIAL FACTORS IN THE WORLD FEED GRAIN MARKET.

4. MARTINEZ DE HOZ SAID THAT US COMPETITION WAS REPLACING ARGENTINE EXPORTS, THUS FREEING ARGENTINE GRAINS FOR SALE TO THE SOVIET UNION. HE EXPRESSED CONSIDERABLE CONCERN THAT ARGENTINA WAS LOSING THE JAPANESE MARKET WHERE ARGENTINA HAD BEEN SELLING THE BULK OF ITS SORGHUM EXPORTS. HE ALSO MENTIONED BOLIVIA AND MEXICO WHERE US COMPETITION HAD DISPLACED EXPORTS ARGENTINA HAD HOPED TO MAKE, AND THE SUBSTITUTION OF US FOR ARGENTINE CORN IN ITALY.

5. AFTER FURTHER DISCUSSION MARTINEZ DE HOZ SUGGESTED THAT AN INFORMAL ARRANGEMENT WOULD BE BY FAR THE MOST EFFECTIVE WAY TO CONTROL ARGENTINA'S EXPORTS. HE PROPOSED THAT GOA REACH AN UNDERSTANDING WITH SOVIET TRADING COMPANIES UNDER WHICH THE SOVIETS WOULD AGREE TO LIMIT THEIR DIRECT PURCHASES FROM ARGENTINA TO HISTORIC LEVELS. THE ARRANGEMENT WOULD HAVE TO BE HELD IN STRICT CONFIDENCE

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IN VIEW OF THE GOA'S PUBLIC POSTURE AGAINST CONTROLS. THE PROBLEM OF THE RESALE OF ARGENTINE CROPS WOULD BE ONE BETWEEN THE US AND OTHER GOVERNMENTS. THE GOA WOULD NOT OBJECT IF THE USG WOULD APPROACH THESE GOVERNMENTS (E.G. ITALY) AND OBTAIN THEIR AGREEMENT TO PREVENT THE RESALE OF ARGENTINE CROPS. MARTINEZ DE HOZ EMPHASIZED THAT SUCH AN ARRANGEMENT, ONCE IT BECAME KNOWN IN THE TRADE, WOULD COST ARGENTINA MONEY SINCE THE PRESENT PREMIUM ON ARGENTINE CONTRACTS WOULD PRESUMABLY DISAPPEAR. WHILE ARGENTINA WISHED TO BE HELPFUL IN THE WEST'S RESPONSE TO THE SOVIET CHALLENGE, HE FELT THAT SUCH AN ARRANGEMENT, ENTAILING SUBSTANTIAL ECONOMIC SACRIFICE, SHOULD BE PART OF A BROADER POLITICAL UNDERSTANDING BETWEEN ARGENTINA AND THE UNITED STATES.

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6. MARTINEZ DE HOZ STRESSED THAT TIME WAS OF THE ESSENCE. REGISTRATION OF EXPORTS WAS NOW CLOSED FOR THE SECOND WEEK; OPENING OF THE REGISTRATION HAD BEEN POSTPONED IN DEFERENCE TO THE US REQUEST PENDING GENERAL GOODPASTER'S ARRIVAL. THE GOA WOULD HAVE TO REOPEN REGISTRATION NO LATER THAN NEXT WEEK.

7. DEPARTMENT PLEASE PROMPTLY ADVISE WHETHER MARTINEZ DE HOZ'S PROPOSAL IS ACCEPTABLE BASIS FOR UNDERSTANDING WITH GOA.

8. DISCUSSION OF POLITICAL SUBJECTS WILL BE REPORTED SEPTEL.
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