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PASS WHITE HOUSE FOR DR. BRZEZINSKI

E.O. 12065: RDS 1/26/2000 (RUSER, CLAUS W.) OR-M
TAGS: PGOV, EPAP
SUBJECT: GENERAL GOODPASTER'S MISSION TO ARGENTINA: MARTINEZ
DE HOZ'S VIEWS ON US DRAFT MINUTE

REF: A. RIO 0316 B. RIO 0313 C. STATE 21469 D. BUENOS AIRES
0740

1. (S-ENTIRE TEXT)
2. FOLLOWING MEETING WITH PRESIDENT VIDELA AT CHAPADMALAL, GENERAL GOODPASTER, AMBASSADOR CASTRO, AND ECA DIRECTOR RUSER MET WITH MARTINEZ DE HOZ TO DISCUSS QUESTION OF A CONFIDENTIAL MINUTE WHICH HAD BEEN RAISED BY US SIDE THE PREVIOUS DAY. MARTINEZ DE HOZ'S POSITION WAS (A) THE SUBSTANCE OF THE MINUTE WAS NOW CONTAINED IN THE PARAGRAPHS ON GRAINS EXPORT IN THE AGREED PRESS STATEMENT; (B) HE WAS OPPOSED TO A CONFIDENTIAL MINUTE BECAUSE OF THE GREAT DANGER OF A LEAK AND THE NEED TO KEEP THE GENERAL UNDERSTANDINGS REACHED IN STRICTEST CONFIDENCE; AND (C) HE WAS NOT PREPARED, IN ANY EVENT, TO PUT SOME OF THE POINTS IN THE MINUTE (HE MENTIONED THE SECOND SENTENCE OF THE FIRST PARAGRAPH, DEALING WITH EXPORTS TO THE SOVIET UNION,

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AND THE THIRD AND LAST LAST PARAGRAPH) IN WRITING.

3. MARTINEZ DE HOZ EXPRESSED GREAT APPREHENSION ABOUT THE EXISTENCE OF THE DRAFT MINUTE EVEN AS A UNILATERAL US

Department of State, A/GIS/IPS/SRP

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RECORD OF THE DISCUSSIONS.

4. WHILE ABANDONING EFFORT TO OBTAIN AGREEMENT ON THE MINUTE IN VIEW OF THE AGREED PRESS STATEMENT, US SIDE PRESSED MARTINEZ DE HOZ ON WHETHER THE DRAFT ACCURATELY SUMMARIZED THE GENERAL UNDERSTANDING REACHED. AFTER SOME DISCUSSION MARTINEZ DE HOZ AGREED THAT IT DID (ALTHOUGH HE INITIALLY HESITATED OVER THE WORD "EXPECTS" AS SOMEWHAT TOO STRONG IN SECOND SENTENCE), WITH THREE CHANGES:

(A) IN SECOND SENTENCE ON EXPORTS TO THE SOVIET UNION, AMEND TEXT TO CLARIFY THAT REFERENCE IS TO QUOTE ARGENTINA'S DIRECT EXPORTS UNQUOTE ONLY.

(B) IN SECOND PARAGRAPH, MAKE CLEAR THAT ARGENTINA QUOTE HAD NOT AGREED TO JOIN MONITORING GROUP UNQUOTE WHICH ENTAILS SURVEILLANCE OF TRANSSHIPMENTS; ARGENTINA HAD AGREED TO PARTICIPATE ONLY IN THE EXCHANGE OF INFORMATION.

(C) AT END OF SECOND PARAGRAPH, ADD TO THE PHRASE QUOTE TO CONSIDER REMEDIAL ACTION UNQUOTE THE PHRASE QUOTE WITHIN THE LIMITATIONS ARGENTINA EXPRESSED UNQUOTE.

5. FINALLY, WHILE NOT DISAGREEING THAT THE LAST PARAGRAPH CLEARLY REFLECTED STATEMENTS HE HAD MADE, MARTINEZ DE HOZ AGAIN EMPHASIZED THE EXTREME SENSITIVITY OF THE LAST POINT.

6. COMMENTS: IN LIGHT OF THIS DISCUSSION, WHICH SERVED AS A SUMMATION OF TWO DAYS OF TALKS ON THE GRAINS EXPORTS ISSUE, AND PRESIDENT VIDELA'S OWN QUITE POSITIVE COMMENTS (REFTEL A), WE CONSIDER THE ASSESSMENT PROVIDED IN OUR

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GENERAL REPORT (REFTEL B) TO BE CAUTIOUS AND CONSERVATIVE: THE ARGENTINES HAVE GIVEN A STRONG POLITICAL AND MORAL COMMITMENT TO TRY AND FIND SOME INFORMAL WAY TO MAINTAIN HISTORIC EXPORT PATTERNS. AT THE SAME TIME, WE RECOGNIZE THAT THERE REMAIN MANY AMBIGUITIES AND UNCERTAINTIES IN THE ARGENTINE POSITION.

7. GENERAL GOODPASTER SOUGHT TO GAIN A CLEARER UNDERSTANDING OF WHAT MARTINEZ DE HOZ CONSIDERED A NORMAL LEVEL OF COARSE GRAINS EXPORTS TO THE SOVIET UNION. AFTER SOME HESITATION MARTINEZ DE HOZ VOLUNTEERED A LEVEL ON THE ORDER OF THREE MILLION TONS, AS COMPARED WITH 1.7 MILLION TONS IN 1978/79.

8. IN DISCUSSING THESE CONCEPTS AND FIGURES, MARTINEZ DE

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HOZ GAVE A STRONG WARNING, IMPLYING THAT THESE GENERAL UNDERSTANDINGS COULD EASILY COME APART OVER SORGHUM. ON TWO OCCASIONS HE NOTED THE DANGER THAT ARGENTINA MAY LOSE ITS LARGE SORGHUM MARKET IN JAPAN, WHICH NORMALLY ABSORBS

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SOME TWO-THIRDS OF THE ARGENTINE CROP. AS A RESULT OF THE US EMBARGO, HE STATED, US SORGHUM PRICES HAD DECLINED SUBSTANTIALLY, UNDERSELLING ARGENTINE SORGHUM, WHICH EVEN UNDER NORMAL CONDITIONS HAS A DISADVANTAGE ON TRANSPORTATION IN JAPAN. ON THE OTHER HAND, HE REJECTED ANY SUGGESTION THAT ARGENTINA WAS IN DANGER OF LOSING ITS TRADITIONAL MARKETS FOR CORN IN ITALY AND SPAIN, DESPITE THE PREMIUM FOR ARGENTINE CONTRACTS.
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