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DEPARTMENT OF STATE

BRIEFING MEMORANDUM

DELIVERED DIRECTLY TO P
NOT REVIEWED BY S/S

CONFIDENTIAL

February 22, 1980

TO : P - Mr. Newsom

FROM: IO - Charles William Maynes *CUA*

Your Meeting With the Argentine
Ambassador at 5:00 p.m.

The Argentine Ambassador may raise with you the current negotiations at the Human Rights Commission meeting in Geneva on a resolution concerning disappeared persons. Argentina feels that it is being singled out for public opprobrium and is reacting strongly.

The resolution we are supporting would create a group of experts to deal with disappearances anywhere in the world and does not mention Argentina by name. We feel that Argentina made a commitment to General Goodpaster not to oppose such a global resolution on disappearances.

Department of State, A/GIS/IPS/SRP

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With concurrence of:

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Date 12-14-16

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(GDS) 2/22/86

MICROFILMED
BY S/S

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ACTION MEMORANDUM

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February 7, 1980

TO: The Secretary

Department of State, A/GIS/IPS/SRP

THROUGH: E - Mr. Cooper *KAC*

Charge to

FROM: ARA - John A. Bushnell
EB - Deane R. Hinton
HA - Patricia Derian

John A. Bushnell Acting
4/8/80

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SUBJECT: Special Trade Mission to Argentina and Paraguay

IPS by *D* Date *12-17*

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ISSUE FOR DECISION

Whether to approve a Special Trade Mission to Argentina and Paraguay to promote U.S. exports related to the Yacyreta hydroelectric project. For maximum effect the Mission should travel no later than mid-March.

ESSENTIAL FACTORS

Argentina and Paraguay are jointly building a \$5-6 billion hydroelectric project at Yacyreta on the Parana River. The only four pre-qualified U.S. firms (Morrison-Knudsen, Allis-Chalmers, Westinghouse, General Electric), with EXIMBANK support, are bidding on over \$750 million in civil works and electromechanical equipment sales (turbines, generators). Civil works awards are to be announced April 15; electromechanical awards are expected in June.

The Governments of Argentina and Paraguay will decide who receives Yacyreta contracts. The Governments of Japan, the USSR and European competitors have given high level support to their firms. The U.S. has not. The U.S. bidders believe that this lack of support, and bilateral tensions over human rights and other issues, puts them at a competitive disadvantage.

The Chairman of the Board of Allis-Chalmers has suggested a high level Trade Mission to Argentina and Paraguay to support the American firms. Other interested companies concur that this would be useful. Allis-Chalmers has aired this suggestion with senior officials of this Department, the Department of Commerce, EXIMBANK and the White House. Responses reportedly have been strongly favorable.

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ARA AND EB POSITION

The Department of State should approve and strongly support such a Mission. Export expansion is a major national objective; this Mission would materially serve that end. Given the nature of decision making on Yacyreta, the Mission would be directed at the Presidential and Ministerial levels of both interested Governments. Therefore, USG participation at a senior level would be essential to assure access to Presidents Videla and Stroessner, and senior Ministers. Since it is export oriented it should be led by a senior official of Commerce, with EXIMBANK and our participation. This would help minimize possible misinterpretations of its intent.

A Mission would serve as an excellent follow-on to General Goodpaster's visit to Argentina. General Goodpaster affirmed our interest in deepened and strengthened relations. Within this context he also affirmed that, standing by our principles, we would deal with each set of issues on its own merits. In the case of Paraguay there should be no impediments. The economy is the fastest growing in South America (projected 11.5% real growth in 1980), new income is being distributed with exceptional equity, and integrity of the person problems are largely resolved.

HA POSITION

The level and composition of any such Mission are of critical concern. HA would be strongly opposed to the high visibility of designating a team at the level suggested by Allis Chalmers. While the issue of EXIM financing for the project has long been settled, the visit of a high level U.S. team in connection with Yacyreta would be inconsistent with our continued concern with human rights conditions in Argentina and with our abstention on the overall project in the MDBs. Indeed it was the official USG imprimatur on the project which we sought to avoid in the 1978 delay of EXIM financing. HA believes that sending the EXIM President or Assistant Secretary level representatives from State or Commerce would give an entirely wrong signal.

Another factor is the broader impact of a U.S. Mission to Argentina in March. The U.N. Human Rights Commission will be considering the case of Argentina

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for the first time then, and the U.S. is pressing for vigorous effective Commission action under its confidential procedures. Also, the Inter-American Human Rights Commission is expected to release its report on Argentina in March. Although we have not seen the reports, Argentine Government officials reviewing the draft have said publicly that it is full of harsh criticism of human rights abuses. As world attention is likely to be focused on the Argentine human rights situation at that time, the presence of a high-level U.S. Mission is likely to be interpreted as a shift in U.S. human rights policy. The awarding of Yacyreta contracts to non-US firms, however, will not necessarily contribute to human rights improvements. Therefore, a lower level mission which could improve the chances of U.S. bidders would not be unwarranted.

THE OPTIONS

1. To Approve a High-Level Special Trade Mission
(Led by Commerce at above the Assistant Secretary level).

Pro

- Would maximize U.S. export competitiveness in connection with the Yacyreta project.
- Would respond favorably to an important initiative by a major U.S. firm.
- Would help depoliticize export promotion efforts.
- Would support efforts to broaden and deepen relations in an area where USG action is warranted on its own merits.
- Would respond favorably to positive human rights developments in Paraguay.

Con

- Could be misconstrued as a lessening of pressure for human rights improvements.
- Could cause Argentina and Paraguay to ask for quid-pro-quo which we are not prepared to deliver.

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2. To Disapprove a High-Level Special Trade Mission

Pro

- Would avoid possible misinterpretation or requests for quid-pro-quo from Argentina and/or Paraguay.
- Would not require additional commitment of USG resources to export promotion.

Con

- Would not support efforts to deepen and broaden contacts with Argentina.
- Would reduce U.S. competitive export opportunities.
- Could cause a serious negative reaction from Allis-Chalmers, possibly leading to domestic political action as occurred in 1978.

3. To Approve a Lower-Level Trade Mission.

Pro

- Could contribute to U.S. export competitiveness without giving an incorrect policy signal of lessening concern for human rights.
- Would help depoliticize export promotion efforts.
- Would not be inconsistent with efforts to broaden and deepen relations in an area where USG action is warranted on its own merits.

Con

- Might not be of sufficient impact to affect the outcome for U.S. sales.
- Could offend the protocol sensitivities of the Argentines and Paraguayans, particularly since our competitors have provided high-level support.

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- Would not support efforts to deepen and broaden contacts with Argentina.
- Could cause a serious negative reaction from Allis-Chalmers, possibly leading to domestic political action as occurred in 1978.

RECOMMENDATIONS

ARA and EB recommend that you approve a high-level Special Trade Mission (Option 1). HA recommends that you disapprove (Option 2).

Approve _____ Disapprove _____

HA recommends that, as an alternative, you approve a lower-level Trade Mission (Option 3).

Approve _____ Disapprove _____

Drafters: ARA/ECA:TCBrown/HA:BB~~W~~e:kg
02/05/80 Ext. 21551

Clearances: EB/CTA:RPhillips EB/OCA:AZucca
EB:EJohnston *49* ARA/ECA:CWRuser
ARA:SEaton ARA/ECP:SGibson

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