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PAGE 01 BUENOS 01790 181346Z

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FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC 4894

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E.O. 11652: GDS  
TAGS: PINT, PFOR, AR, US

SUBJECT: ANALYSIS OF ARGENTINE POLITICAL SITUATION  
1. EMBASSY WISHES TO COMPLIMENT HIGHLY AND EXPRESS ITS GENERAL AGREEMENT WITH THE ANALYSIS OF THE ARGENTINE SITUATION OUTLINED IN INR'S REPORT NUMBER 328 OF FEB 20, 1976. IT IS AN EXCELLENT REPORT. WE HAVE TWO OBSERVATIONS TO MAKE RE ITS CONCLUSIONS.

2. THE FIRST HAS TO DO WITH THE PAPER'S CONCLUSION (ON PAGE 5) THAT "THE EMERGENCE OF A CARETAKER MILITARY REGIME IS THE LEAST LIKELY ALTERNATIVE." IN THE LONGRUN THIS MAY BE CORRECT. THOUGH THE SENIOR MILITARY COMMANDERS AT THIS POINT APPEAR TO BE PLANNING A MODERATE COUP AND A CARETAKER GOVT WHICH WILL CALL FOR ELECTIONS WITHIN TWO OR THREE YEARS OR POSSIBLY LESS, THE CHANCES THAT THEY WILL BE ABLE TO HOLD TO THIS PLAN ARE NOT GOOD. THE NATION'S ECONOMIC AND POLITICAL PROBLEMS ARE ACUTE, AND AS INDICATED IN THE INR REPORT, IT WILL TAKE FIRM AND UNPOPULAR MEASURES TO SOLVE THEM. FURTHER, THERE ARE DIVISIONS WITHIN THE MILITARY. EVEN THE MODERATE OFFICERS NOW IN CMMD ADMIT THAT THEY ARE HAVING TROUBLE RESTRAINING THE HOtheads WHO HAVE WANTED TO MOVE TOO SOON, WHO WANT TO TAKE MASS REPRISALS AND PUT-PERONISTS AS WELL AS TERRORISTS AGAINST THE WALL WITHOUT A TRIAL. AS OPPOSITION DEVELOPS TO THE AUSTERE ECONOMIC PROGRAMS WHICH THE MILITARY WILL PROBABLY IMPLEMENT, IT WILL BECOME EVEN MORE DIFFICULT TO KEEP THESE HARDLINERS IN CHECK. IN SUM, WHILE THE CARETAKER GOVT SEEMS THE MOST

PAGE 02 BUENOS 01790 181346Z

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LIKELY TO EMERGE INITIALLY, THE DYNAMICS OF THE SITUATION ARE SUCH THAT IT MAY VERY WELL GIVE WAY TO THE SECOND OPTION INDICATED IN THE PAPER--THAT OF MILITARY RULE FOR AN EXTENDED DURATION AND OF UNPRECEDENTED SEVERITY.

3. SECOND, WHILE THE EMBASSY DOES NOT DISAGREE WITH THE CONCLUSION (ON PAGE 7) THAT NONE OF THE SHORT-TERM ALTERNATIVES ARE LIKELY TO SHARPLY AFFECT OUR INTERESTS IN A NEGATIVE WAY, ARGENTINA'S MALAISE HAS REACHED SUCH A POINT THAT THE MILITARY MAY ALSO FAIL IN THEIR ATTEMPTS TO TREAT IT. THE COUNTRY IS FACED WITH RAMPANT TERRORISM, AN ECONOMY ON THE VERGE OF COLLAPSE, BADLY FRAGMENTED BODY POLITIC, AND, WORST OF ALL, GROWING CYNICISM AND FRUSTRATION WITH RESPECT TO ANY POSSIBLE SOLUTION. SHOULD THE MILITARY GOVT BE UNABLE TO FIND AT LEAST PARTIAL REMEDIES, POPULAR SENTIMENT WILL TURN AGAINST IT QUICKLY. THE LEFTIST EXTREMISTS MAY THEN FIND THE CONDITIONS UNDER WHICH THEY COULD BUILD A POPULAR BASE. WHILE NONE ARE IMMEDIATELY APPARENT AT THIS POINT, SOLUTIONS MAY EMERGE. FACED WITH THE GREATEST CRISIS IN MODERN ARGENTINE HISTORY, THE NATION'S POLITICAL AND MILITARY LEADERS MAY RISE TO THE CHALLENGE. IF NOT, HOWEVER, ARGENTINA MAY BE HEADED TOWRDS A DISASTROUS SITUATION OF SUCH MAGNITUDE THAT US INTERESTS ACROSS THE BOARD WOULD BE SERIOUSLY THREATENED.  
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