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ARGENTINA: ANNUAL REVIEW FOR 1981

*Her Majesty's Ambassador at Buenos Aires to the
Secretary of State for Foreign and Commonwealth Affairs*

SUMMARY

The year of President Viola, whom the Junta dismissed in December, was less than a disaster but very disappointing in nearly all regards—largely owing to his own and his Ministerial team's indecisiveness and inability to inspire confidence (paragraphs 1-4).

2. General Galtieri, the Army Commander-in-Chief, who succeeds him as nominated President, has chosen a more promising team, but they will have a hard task both to deal with their economic inheritance in conditions of world recession and to find a meaningful completion to the "process of political renewal" (paragraphs 5 and 6).

3. A difficult year in Anglo-Argentine relations because of enhanced sensitivities on both sides regarding the Falklands issue, of a growing contrast between UK and US attitudes to the military régime and the hesitancy which, with very adverse press coverage in the UK, less experienced British exporters have felt about venturing into the Argentine market. But we hope figures, when available, will show we have kept our share of the market and, next year, the Argentines themselves may at least spend less time shooting into their own goal (paragraphs 7 and 8).

(Confidential)

My Lord,

Buenos Aires,

1 January, 1982.

1981 has been, for Argentina, the year of President Viola. He was confirmed by the Military Junta as President designate just before it started, was inaugurated in office at the end of March and was removed "for reasons of state" in mid-December. Though neither the year nor the Presidency were quite the disaster which an unsympathetic European press has alleged, both were pretty disappointing and characterised by a failure to get to grips with what is basically wrong with this so unnecessarily unsatisfactory country.

2. Argentina in 1981 has been neither a military dictatorship in the ordinary sense nor in a state of economic collapse. It has spent the whole year in a positive ferment of political debate, in which outspoken criticism has easily out-shouted constructive ideas. It has, meanwhile, retained its position as one of the world's four or five main food exporters, achieved virtual self-sufficiency in energy

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requirements and remained a country with one of the highest *per capita* incomes in Latin America. But the end of term marking is still quite definitely "Does not try hard enough". There has been no real progress to record in the "process of political renewal", to which the military interventors dedicated themselves in 1976, aimed at creating conditions for stable, pluralist democracy in the country. Pragmatic tinkering with the basically monetarist economic strategy embarked on in 1976 has produced an 80 per cent devaluation of the freely-traded financial peso, a reversion to inflation approaching an annual rate of 150 per cent, an ominous foreign indebtedness coupled with a serious decline in reserves. All this without achieving any significant "reoxygenisation" of Argentina's apparently incurably lame duck industrial sector or avoiding a serious rise in unemployment. The problem in Argentina—for 50 years—is not that it is sinking into collapse, but that it is repeatedly failing to achieve even the least competent level of growth. In this sense, 1981 has been one of Argentina's classically bad years.

3. A considerable share of responsibility for this poor showing is rightly laid at General Viola's door. Groomed and presented as the shrewdest politician the military could produce to bridge the gap back to civilian rule, he has proved inarticulate, indecisive and incapable of evoking any coherent conduct of government from a disparate assortment of Ministers which he assembled with paralysing slowness during the earlier part of this year. Much of the economic ills the country has suffered in recent months can be ascribed to a sense of blinded uncertainty and shaken confidence, following inconclusive decisions arrived at far too late in an atmosphere of rumour, speculation, leaks and denials. Similarly, if the political "proceso" seemed to have lost direction, much of the trouble derived from the growing tendency of the three Commanders-in-Chief, who constitute the Junta, to check and query even the smallest detail of Government business.

4. In the conduct of foreign relations, Dr. Oscar Camilión—the not un-able if somewhat meretricious civilian Foreign Minister chosen by Viola—was a particular victim of this hamstringing suspicion. His (quite successful) efforts to get US/Argentine relations back with President Reagan on to a level of greater mutual respect and co-operation, his attempt to counterbalance any awkwardness arising either from this or from Argentina's embarrassingly exclusive commercial links with the Soviet Union by emphasising Argentina's stance among the non-aligned, his manœuvring to weaken by widening the dispute with Chile, where the papal mediation over the Beagle Channel had come up with ideas very difficult for Argentina to swallow—in these and many other matters, Camilión was repeatedly undermined or up-staged by Junta members acting without consultation or warning.

5. In this the worst offender was certainly the army commander, Lieutenant-General Galtieri, who is now to take over as President, while (for 1982) retaining his command. It is clear that 1982 will be his year as much as 1981 was Viola's. He has chosen a good team of civilised, liberal-minded but decisive and respected Ministers. In all these adjectives they show a great improvement on their predecessors. They certainly should do better, if circumstances give them half a chance.

6. Objectively these circumstances are one of a severe domestic and persisting world recession, of depleted reserves, scarce credit and an uncomfortably high level of unemployment. Subjectively they include a President who has at times in the past shown an inclination to spontaneity rather than sagacity of

judgment, a delicate balance of agreed political strategy inside the armed forces (with the new naval Commander-in-Chief a much stronger character than his predecessor) and the extreme difficulty for anyone to produce a convincing prescription to complete the " process of political renewal " in any meaningful way.

7. Meanwhile it has not been an easy year for the UK in its relations with the Argentine Republic, either politically or in export promotion. In the former, as regards the Falklands, we have had to walk like Agag all year to avoid offence to Argentine, Islander or Falkland lobby sensitivities during what must be the longest electoral period per voter anywhere in the world. We have come through without a bust-up, but certainly with the Argentines and the Islanders more on each others' nerves than a year ago. Meanwhile, President Reagan's switch to an effusive cultivation of the present Argentine régime has left our comparative coolness (though less assertive than that of some of our Western European colleagues) the more conspicuous. We should like to increase our trade with Argentina and (despite the cloud of ignorance in which we are working as a result of the UK Civil Service strike) we hope to have at least retained our share of what has been this year a very difficult market. But the publicity which the UK press so readily affords to any story of Argentine incompetence, imminent collapse or arrogant stupidity has, alas, been only too regularly fed by President Viola's Government this year. Only those who know that most stories of Argentine demise tend to be exaggerated have had the courage to sow now for reaping later.

8. 1981 has been a pretty difficult year for most countries. Argentina has been exceptional only to the extent that a higher than average proportion of the difficulty has been self-induced. For her, as for the rest of us, one can only hope that 1982 will be better. At least Argentina may spend less time shooting into its own goal.

9. I am sending copies of this despatch to Her Majesty's Representatives at Montevideo, Santiago, Asuncion, La Paz, Brasilia and Washington and to the Governor of the Falkland Islands and to the Department of Trade.

I am Sir

Yours faithfully

ANTHONY WILLIAMS.