

BS 300

CONFIDENTIAL

CONFIDENTIAL

(FM BERNE 041600Z)

FM BIS BUENOS AIRES

TO IMMEDIATE FCO

TELNO 791 OF 30 SEPTEMBER

INFO PRIORITY MOD BANK OF ENGLAND ASUNCION CARACAS  
BRASILIA MONTEVIDEO SANTIAGO UKMIS NEW YORK WASHINGTON  
CIVIL COMMISSIONER PORT STANLEY

ASSESSMENT

1. THE ARGENTINE ELECTION TIMETABLE IS ON SCHEDULE FOR 30 OCTOBER BUT GROWING GOVERNMENT PARALYSIS IN THE FACE OF RAMPANT INFLATION AND RISING UNION AND SOCIAL PRESSURES IS CREATING WIDESPREAD UNEASE, MILITARY WARNINGS AND ENDLESS RUMOURS. THE NEXT CRUCIAL DATE WILL BE 17 OCTOBER, SET BY THE INTERNATIONAL BANKS AS A DEADLINE FOR RESOLVING ARGENTINA'S RECENTLY AGGRAVATED DEBT RENEGOTIATION PROBLEMS WHICH ARE ADDING FUEL TO AN INCREASINGLY DIFFICULT SITUATION.
2. ELECTION FORECASTS STILL FAVOUR THE PERONISTS BUT SOME RECENT SUGGESTIONS ARE THAT THEY MAY ONLY DOMINATE CONGRESS AND THE SENATE AND LOSE OUT TO THE RADICAL ALFONSIN IN THE ELECTORAL COLLEGE WHICH CHOOSES THE PRESIDENT. WITH INTRANSIGENT PARTY, FOR WHICH SUPPORT IS REPORTEDLY GROWING FAST, AND OTHER MINOR PARTIES' SUPPORT IN THE COLLEGE, ALFONSIN MAY JUST BEAT LUDER. A PERONIST CONGRESS AND A RADICAL PRESIDENT COULD BE THE WORST POSSIBLE RESULT, PERPETUATING PRESENT PARALYSIS, OR IT COULD BE A NEW BASIS FOR INTERPARTY COOPERATION.
3. THE MILITARY'S PROMISED AMNESTY LEGISLATION PRODUCED PREDICTABLE CRITICISM FROM POLITICIANS AND HUMAN RIGHTS ORGANISATIONS. BUT SOME LEADERS, EG LUDER, WERE LESS THAN FORTHRIGHT ON THE QUESTION OF FUTURE REPEAL. ONCE INTRODUCED, THE LEGISLATION MAY WELL REMAIN. THE MASS OF VOTERS APPEARS LARGELY UNTOUCHED AND UNINFLUENCED BY THE QUOTE DISAPPEARED UNQUOTE AND HUMAN RIGHTS QUESTIONS. THERE MUST BE STRONG SUSPICIONS OF OVERSEAS FUNDING FOR THE MOTHERS AND OTHER HUMAN RIGHTS PROTEST GROUPS.

CONFIDENTIAL

/4.

## CONFIDENTIAL

4. THERE IS NO GLEAM ON THE ECONOMIC FRONT, WITH OVER 25 PERCENT MONTHLY INFLATION LIKELY FOR OCTOBER. EVEN SO, THERE ARE SUGGESTIONS THAT EVEN A BRIEF PERIOD OF REASONABLY STABLE AND SENSIBLE GOVERNMENT COULD TURN THE ECONOMY ROUND VERY QUICKLY.

5. ON FOREIGN AFFAIRS, LUDER HAS SHOWN HIMSELF MORE REALISTIC THAN ALFONSIN WITH A RECOMMENDATION THAT ARGENTINA SHOULD NOT BE TIED PERPETUALLY TO THE NAM AND SHOULD SEEK CLOSER TIES WITH THE WEST. THERE HAS BEEN NO CHANGE OVER THE FALKLANDS QUESTION EXCEPT FOR A FEW PRIVATE HINTS OF POSSIBLE WAYS FORWARD, THOUGH NOT UNFORTUNATELY FROM LIKELY POLICY MAKERS. WE CAN LOOK FOR A RELATIVELY FRIENDLY DISPOSITION IN THE MID AND THE CENTRE PARTIES, YET BOTH PERONISTS AND RADICALS WILL TAKE AN UNCOMPROMISING LINE. THERE IS NO PROSPECT OF MOVEMENT, AT LEAST UNTIL THE NEXT GOVERNMENT IS INSTALLED. THERE ARE SOME ENCOURAGING INDICATIONS OF A POSSIBLE BEAGLE SETTLEMENT IN 1984 DURING THE EXPECTED QUOTE HONEYMOON UNQUOTE PERIOD AFTER THE MILITARY WITHDRAW, ALTHOUGH MUCH WILL ALSO DEPEND UPON THE ATTITUDE OF THE EMBATTLED PRESIDENT PINOCHET, WHOSE COUNTRY MAY WELL RESIST ARGENTINE INSISTENCE ON THE BI-OCEANIC PRINCIPLE.

6. IN GENERAL, POLITICAL FORECASTING IS MORE DIFFICULT THAN EVER AS THE POWER VACUUM GROWS AND INCIPIENT CHAOS TAKES HOLD. WE MIGHT SAY, WITH GOETHE, QUOTE IM CHAOS GIBT ES ALLE MOEGELICHKEITEN UNQUOTE.

JOY  
UNQUOTE

POWELL-JONES

[COPIES SENT TO NO 10 DOWNING STREET]

FALKLAND ISLANDS GENERAL

FCO

FID

CABINET OFFICE

ADDITIONAL DISTRIBUTION

FALKLAND ISLANDS

COPIES TO  
MOD  
BANK OF ENGLAND.

<sup>2</sup>  
CONFIDENTIAL