

FALL AND ISLANDS GENERAL (ADVANCES) 38

PS
PS/LADY YOUNG
PS/VE WHITNEY
PS/VE RIFKIND
PS/PUS
SIR J BULLARD
~~SIR I GUNCLIFF~~ MR. FREELAND
SIR W HARDING
VE TRIGT
VE ADAMS
~~LOD N GORDON LENNOX 4~~
SIR C TICKELL
VE D C THOMAS
MR ~~WESTON~~ WESTON
MR MILES
D/PUS (2)
D/SAD
D/ED
~~_____~~
D/AFS DEPT
D/ED
D/EO (E)
D/ED

PS/NO 10 DOWNING ST (3)

PS/S OF S FOR DEFENCE
MR ~~_____~~ AUSTRALIAN STAFF MOD
MR NICHOLS

PS/CHANCELLOR)
MISS M E CURD) TREASURY
MR LITTLER)

SIR E ARMSTRONG)
MR A D S GOODALL) CABINET OF
DIO)

~~MR V A PATTISON, FID, ODA~~
MR POWER, SAD, ODA

MR A FORTNAM IAT/ D. TRANSPORT

~~POSTAL~~



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(FM BERNE 181000Z)

FM BIS BUENOS AIRES

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TO IMMEDIATE FCO

TELNO 400 OF 15 JUNE

INFO PRIORITY MOD BANK OF ENGLAND, ASUNCION, BRASILIA,
CARACAS, MONTEVIDEO, MEXICO CITY, UKMIS NEW YORK, WASHINGTON,
CC STANLEY, BOGOTA, MADRID

ARGENTINA: ASSESSMENT

SUMMARY

1. A SLIGHTLY CLEARER POSITION BUT WITH NEW QUESTIONS EMERGING. ISABEL PERON HAS FORMALLY SUPPORTED ALFONSIN BUT THE PERONISTS ARE MORE DIVIDED. THE LETTER OF INTENT HAS BEEN SENT WITHOUT IMF SUPPORT. THERE IS NO SIGN OF DEBT ARREARS BEING PAID BY THE MONTH END. ALFONSIN'S VISIT TO SPAIN HARVESTED PREDICTABLE STATEMENTS BUT LITTLE OF SUBSTANTIAL COMFORT TO ARGENTINA.

DETAIL

2. LATEST POLLS HERE CONFIRM THE CONTINUING POPULARITY OF PRESIDENT ALFONSIN (70 PCT) BUT EXPRESS A LOW OPINION OF HIS GOVERNMENT. THERE IS LITTLE CHANGE ON THE ECONOMIC FRONT: UNION ATTITUDES HARDEN, STRIKES PROLIFERATE, INFLATION RISES. THE PROSPECTS ARE FOR MORE PAY INCREASES AND SPIRALLING PRICES. THERE SEEMS LITTLE REASON WHY THIS PATTERN SHOULD NOT CONTINUE INDEFINITELY. THE LOSERS ARE THE ARGENTINE PEOPLE IN FALLING LIVING STANDARDS, AND FOREIGN CREDITORS IN UNRECOVERED DEBTS. THERE IS NO SIGN NOW OF THE HALF-PROMISED U-TURN IN ECONOMIC POLICY: RATHER THE REVERSE AND MORE OF THE SAME.

3. THE MILITARY ARE DIS-SATISFIED WITH THEIR PROPOSED BUDGET ALLOCATIONS AND THERE IS EVEN TALK OF ARMY FORCE REDUCTIONS. BUT ALFONSIN HAS BEEN SWEETTALKING THEM WITH WELL PUBLICISED VISITS TO MILITARY INSTALLATIONS AND WORDS OF SYMPATHY AND ENCOURAGEMENT. THERE ARE NO SIGNS OF ANY COUP INCLINATIONS,

3. THE MILITARY ARE NOT SATISFIED WITH THEIR PROPOSED BUDGET ALLOCATIONS AND THERE IS EVEN TALK OF ARMY FORCE REDUCTIONS. BUT ALFONSIN HAS BEEN SWEETTALKING THEM WITH WELL PUBLICISED VISITS TO MILITARY INSTALLATIONS AND WORDS OF SYMPATHY AND ENCOURAGEMENT. THERE ARE NO SIGNS OF ANY COUP INCLINATIONS, MERELY CONTINUING MUMBLINGS OF DISCONTENT. NO SIGN EITHER LEFT WING TERRORISM: THE BOMB SCARE AGAINST ISABEL PERON'S AIRCRAFT IS WIDELY JUDGED, IN VIEW OF THE EXPERT DEVICE USED, TO HAVE BEEN A PUT-UP JOB BY DISAFFECTED HARDLINE ELEMENTS OF THE SECURITY SERVICES MERELY TO DRAW ATTENTION TO THEMSELVES. IT SEEMS UNLIKELY THAT ANY CULPRITS WILL BE IDENTIFIED.

4. ON THE HUMAN RIGHTS, SABATO'S COMMISSION FOR THE DISAPPEARED IS MAKING ONLY SLOW PROGRESS AND HAS OBTAINED A NINETY-DAY EXTENSION OF ITS REPORTING PERIOD BEYOND 30 JUNE. MEDIA AND PUBLIC INTEREST HAS WANED SHARPLY BUT FUTURE PROBLEMS ARE IN STORE WHEN THE REPORT IS EVENTUALLY PUBLISHED WITH SEVERAL HUNDRED SERVING MILITARY PERSONNEL LIKELY TO BE ARRAIGNED.

5. CONGRESS IS STILL VIRTUALLY PARALYSED ALTHOUGH A FEW JUDGES AND AMBASSADORS HAVE BEEN APPROVED. ALFONSIN'S POLITICAL CONSENSUS DOCUMENT LARGELY BYPASSED PARLIAMENT, INVOLVING ISABEL PERON AND FRONZINI BUT NOT THE PERONIST CONGRESSIONAL BLOCK. MANY SMALL PARTIES WITHOUT CONGRESSIONAL REPRESENTATION SIGNED. SO MUCH FOR PARLIAMENTARY DEMOCRACY.

6. IN FOREIGN AS IN DOMESTIC AFFAIRS, ALFONSIN HAS CLEARLY MADE SURVIVAL HIS TOP PRIORITY: HIS OWN AND THAT OF THE DEMOCRACY REINSTATED ONLY SIX MONTH AGO. DESPATCH OF THE LETTER OF INTENT TO THE IMF WITHOUT IMF TECHNICAL SUPPORT APPEARS TO CONFIRM HE WILL NOT DEPART FROM POPULIST POLICIES AT HOME OR NATIONALIST ABROAD. WE SHOULD EXPECT THE SAME STANCE OVER BEAGLE AND FALKLANDS. PERHAPS HE IS RIGHT: HIS TASK BEING TO STAY THERE AND CONSOLIDATE DEMOCRACY DURING HIS TENURE OF OFFICE, LEAVING IT TO THE NEXT CONSTITUTIONAL PRESIDENT TO PICK UP THE ECONOMIC PIECES AND ATTEMPT TO REVERSE THE INEXORABLE DECLINE ACCELERATING UNDER CURRENT POPULIST AND ECONOMICALLY IRRESPONSIBLE POLICIES. "SEEK YE FIRST THE POLITICAL KINGDOM" AS KWAME NKRUMAH ONCE SAID.

CONCLUSION

7. GENERAL PROSPECTS IN THE LIGHT OF THE ABOVE MUST REMAIN AS FORECAST IN PARAS 7 AND 8 OF MY ASSESSMENT OF 1 JUNE (TELNO 366, NOT TO ALL): POPULIST ECONOMIC POLICIES AT HOME, TOUGH NATIONALIST "ARGENTINA AGAINST THE WORLD" POLICIES ABROAD, WITH LITTLE OR NO PROGRESS TOWARDS AN EARLY SOLUTION OF ARGENTINA'S ALMOST ENDEMIC PROBLEMS. IF THE TOUGH INTERNATIONAL DEBT STANCE PAYS DIVIDENDS, AS IT MAY, OTHER DEBTOR COUNTRIES WILL UNDOUBTEDLY BE TEMPTED TO FOLLOW SUIT. WE SHOULD STAND FIRM AND ONLY PROVIDE SUFFICIENT NEW CREDIT TO SECURE PAYMENT OF INTEREST DUE. MEANWHILE, DISCRIMINATORY LEGISLATION AGAINST BRITISH COMPANIES STANDS AND PUBLIC ATTITUDES WILL BE TESTED DURING THE PROPOSED VISIT BY BRITISH PARLIAMENTARIAN MEMBERS OF THE SOUTH ATLANTIC COUNCIL EXPECTED FOR THE WEEK BEGINNING 25 JUNE.

JOY
POWELL-JONES

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SENT AT RECD AT 191027 ZT+PM