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ARGENTINA: THE PERONISTS

THE HEAD OF THE BRITISH INTERESTS SECTION IN BUENOS AIRES TO THE
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

Summary

1. Argentines are still divided over Peron. The majority voted against his heirs in 1983. But they now look set to win in 1989. (Paras 1-3)
2. The bedrock of the Peronists is the working class but they have support from all sectors. They have no coherent ideology but are essentially anti-marxist, Catholic and nationalistic. Orthodox/Renewalist divisions are muddled by the emergence of Carlos Menem as presidential candidate. (Paras 4-7)
3. The party's relationship with the trades unions is intimate but problematic. (Paras 8-9)
4. Menem is a throw-back, his success so far testimony to a country desperate for magic solutions. His economic prescriptions threaten hyperinflation, although he is striving to sound reasonable on the foreign debt. He will have trouble with the armed forces unless he meets all their demands (which he might attempt). Foreign policy will change little. (Paras 10-16)
5. Despite hints to the contrary Anglo-Argentine relations will probably be more difficult under the Peronists. Their threats to seize crown property are empty. But they could do something rash in reaction to internal difficulties or perceived provocations. (Paras 17-19)
6. Democracy may survive Menem but the experience will not be much fun. (Paras 20-23)

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BRITISH INTERESTS SECTION

BUENOS AIRES

5 November 1988

The Rt Hon Sir Geoffrey Howe QC MP
LONDON

Sir

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Introduction

1. This despatch may become redundant if the Radical government work an economic miracle and the Peronist candidate, Carlos Menem, slips on enough banana skins between now and the presidential elections next May. But on present evidence the Peronists look likely to be in government by the end of 1989. (Even if they are not they will be strong in Congress and dominant in the provinces.) What will this mean for Argentina and, more important, for British interests?

Background

2. Every Argentine knows what Peronism meant in the past. Or at least he thinks he does, because the nation still divides over Peron just as it once did over the great nineteenth century dictator Rosas. According to his followers Peron freed the working class, nurtured a democratic labour movement, developed Argentine industry and carved a distinctive path for Argentina in the world before being ousted by a traitorous alliance between his political opponents and the armed forces. But his enemies say he pillaged the nation's wealth, saddled Argentina with a corrupt corporate state, mercilessly crushed his opponents and reserved all privileges for members of his movement. It is a measure of the incredible strength of this movement that after nearly twenty years of exile Peron returned to power before his death. It is an equal measure of its weakness that it was by then seriously divided, with its extreme right and left wings embarked upon the disastrous course of terrorism which ultimately provoked further military intervention.

3. The Peronists claim they bore the brunt of the Dirty War. Their persecution endowed them with respectability when democracy returned in 1983. But this was not enough to assuage the fears of voters

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with long memories and give the Peronists victory over Alfonsin. It has taken some five years of Radical government economic mismanagement (during which time the Peronists have enjoyed the unprecedented experience of being in legal opposition) to tip the balance.

The Peronists today

4. What is Peronism? An easier question is to ask who supports the Peronist party, or rather the Justicialist party, (i) as it styles itself these days. It is predominately the party of organized labour, although not all union members are Peronists. It has strong links with the Catholic Church, despite Peron's violent quarrel with the Church in the 1950's, which contributed to his fall. It also has strong support from farmers and the middle class in the provinces and its numbers include industrialists, bankers, lawyers, businessmen, doctors, academics, actors, sportsmen and even members of the armed forces.
5. Defining Peronist ideology is more difficult. The Peronists have rarely been consistent even when in office, witness Campora's lurch to the left in 1973 and the subsequent double lurch to the right under Peron and then his widow. Even today the party has loony right and left wings, the latter living in a cloud cuckoo land of class warfare and anti-imperialism. But the broad thrust of the movement's philosophy is anti-marxist, Catholic and nationalistic. It was Peron's genius originally to weld together a heterogeneous bunch of anti-establishment forces into a quasi-fascist movement to serve his own ambitions. The miracle is that despite its fissile tendencies the movement has survived so long beyond his death. Persecution under the military helped. So has the urge to power.
6. The movement is currently broadly split between the Orthodox Peronists and the Renewalists. The former embrace the old-fashioned virtues of right-wing trades unionism, economic autarky and Peron's "Third Position" in world affairs. For them the old fox could do no wrong. The Renewalists, formed in reaction to the unexpected electoral defeat in 1983, purport to represent the future. They are less prone to quote Peron, more genuinely democratic, closer to the Radicals on economic policy (they are for example disposed to contemplate reform of the bloated public sector) and if anything even hotter on human rights and locking up army officers. It is ironic that the man to emerge as their leader was Buenos Aires governor Antonio Cafiero, whose personal roots are firmly bedded in Peron's first period. This is perhaps indicative of what Renewalism's real purpose is (or was): to provide a new image to appeal to the electorate following the apparent failure of the old.
7. But Carlos Menem's victory in the Peronist primaries in July has created further convulsions. Menem, who originally went along with Renewalism (and who does not have Cafiero's murky past), has always been a maverick, with his traditional power base in the tiny, impoverished province of La Rioja. And his success in the primaries, although largely won by sheer force of personality, at the end owed much to the support of the Orthodox trades unions. Menem's victory

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(i) See Annex A for a note on the structure of the Justicialist party. [Not printed]

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spelt potential political death to many on Cafiero's bandwagon, which had looked unstoppable after the September 1987 mid-term elections. Those who can are leaping onto Menem's own wagon. Menem himself is disposed to accept support from virtually anyone (and has described himself rather tritely as Orthodox in ideology and Renewalist in method). But at the lower levels animosity between the two sides may not permit total reconciliation.

The role of the trades unions

8. The fate of the Peronist party is inextricably bound up with that of the trades unions (i). But the relationship has not always been effortlessly harmonious and the unions themselves are far from united. They have their own Orthodox and Renewalist divisions with the further complication of an independent group surrounding the labour confederation (CGT) leader Saul Ubaldini and a major Orthodox splinter group (the Group of 15) who have traditionally collaborated with governments as different as military dictatorships (in which they were not alone) and the current Radical administration. The Group of 15 are currently the closest to Menem but there is a constant jockeying for power and shifting alliances which blur the distinctions between the various groups.

9. The unions have done well out of the Radical government's labour legislation but real wages have declined during Alfonsin's administration. It is the unions' militant action on wages which has created problems for Peronist politicians anxious to woo the independent voter. The violent events of the CGT General Strike of 9 September have undoubtedly damaged Menem's cause, although he himself wisely stayed away. The Orthodox union leaders (themselves appalled at the strike violence) also expect gratitude from Menem for their vital help in the primaries. But Menem acknowledges no such debt and is aware of the need to keep a reasonable distance to avoid alienating the rest of his potential constituency.

The Menem phenomenon

10. Much alarmist rubbish has been printed about Menem in the international press: one American newspaper has even described him on no evidence at all as a blood-stained caudillo. But the sober facts are scarcely encouraging. Twice re-elected governor of La Rioja, he has plunged that province into hopeless debt by printing money and fabricating public sector jobs. He has never held national office, let alone performed on the international stage. His policy statements are vague, his grasp of economics tenuous. He draws philosophical and aesthetic inspiration from his backwoods, mutton-chopped, 19th century predecessor Facundo Quiroga (now there is someone you could call a blood-stained caudillo). He is at pains to please everyone (which knowing Argentines attribute to his Arab origins, as though Italian or Spanish politicians were any different). And among his cronies are some unadulterated thugs.

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(i) See Annex B for a note on trade union organizations.
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11. How then did Menem beat Cafiero and the party machine for the Peronist nomination? And why is he currently by far the strongest contender for the presidency? One answer to the first question is that Cafiero made things easy for Menem by choosing a running-mate who was anathema to the Orthodox trades unions. But Menem's overall popularity has other explanations. First, so many people are fed up with their economic lot that they are prepared to try something different even something irrational. And second, Menem undeniably has charisma. He is a man of the people. He drives fast cars and chases women. But he also cultivates humility and the softly-spoken word. People are drawn to him willy-nilly. He has an almost Christ-like quality. Come election day this magic attraction may not prove sufficient to compensate for his each day more apparent shortcomings. But then again it may.

Likely policies of a Peronist government

12. Like any sensible politician Menem will not foreclose his options until he has to. Indeed he has actively welcomed diverse economic advice, which has been reported in bewildering detail in the press. But he has already made enough public statements to indicate the general parameters of his intentions (and quite conceivably provide hostages to fortune) in the key areas of the economy, the armed forces and foreign policy.

13. The heart of Menem's economic policy is what he describes as "the revolution of production". This entails the stimulation of the internal market by the recuperation of real wages (the infamous salariazo, although Menem now talks of this taking two years or more to achieve) plus a greater effort by all workers. He will also seek, with congressional agreement, to negotiate a five-year grace period on foreign debt interest payments. (One hears the dreaded word "moratorium" less and less these days and Menem does not seek to avoid Argentina's responsibility for the foreign debt.) He will alleviate the tax burden and hope simultaneously to reduce tax evasion. And he will eliminate corruption and speculation. He will welcome foreign investment and accept privatization provided they are beneficial to Argentina. It all sounds fine and dandy. But to the cynics these pious intentions can translate only into hyperinflation and a plummeting currency. And the idea of a Peronist government eliminating corruption provokes hollow laughter.

14. These are of course early days. And there is an alternative possibility, namely that Menem still has time to learn what really needs to be done to sort out the economy (which at root means tackling the thorny issue of public expenditure) and can muster the popular support to carry it out. There are those among his economic advisers who counsel caution. But it remains doubtful whether they will win the day, at least initially. The probability is that Menem will learn the lesson too late and that his support will by then have been eroded by the damage already done.

15. Menem's relations with the military provoke considerable suspicion. Many allege he will grant an amnesty to all involved in crimes during the military regime, whether terrorists or members of the armed forces. Menem insists on a distinction between amnesty (which he claims to oppose) and a so-called "pacification law", which

/he advocates ...

he advocates but has yet to define. He wants, with the Church, to heal the wounds of Argentine society. But he publicly resists the notion that he will release the likes of the early junta leaders or the Montonero terrorist leader Firmenich (although he has come dangerously close to expressing sympathy for the Montoneros' cause in its time). His contact with the armed forces (who marched him off to internal exile during the Process and for whose blood he bayed along with the rest in the early stages of democracy) has been more frequent and cordial of late. But it is still intermittent and far from easy. For although in the eyes of the armed forces almost anyone is preferable to the Radicals there is powerful residual anti-Peronism, particularly at the most senior levels. Menem speaks of professionalization, re-equipment, revitalization of the defence industry and of total obedience to the civil power. But unless in the event he caves in on all the armed forces' demands (which he might be tempted to do but which would entail a significant increase in the military budget the country simply could not afford) it is doubtful that he will be able to manage the relationship much better than Alfonsín.

16. Peronist foreign policy is unlikely to differ substantially from that of the Radical government. But unlike the Radicals the Peronists carry little ideological baggage and will not for example get on their democratic high horse over Chile or Paraguay or even South Africa. There will inevitably be a tendency to pursue the main chance, which will lead to inconsistencies and outright contradictions. But in foreign policy, as in any other field, much will depend on the man who gets the Foreign Minister's slot. If (as now seems unlikely) the job were to go to Bordon, currently governor of Mendoza, there would be some hope of a reasonably coherent approach. One has less confidence in the other main candidate, Menem's brother Eduardo, who is responsible for the strident tone at present being struck over the Falklands.

Anglo-Argentine relations

17. On the basis of most of Carlos Menem's public statements we are on a hiding to nothing. He repeatedly speaks of an "embargo" on British crown property in Argentina in retaliation against alleged British deprecation of Argentine fish resources in the South Atlantic. But as no such property exists outside this Embassy Menem's threats are clearly electioneering hogwash. And many Argentines, Peronists included, have assured me privately that there is nothing to fear. (I have yet to tackle Menem face-to-face on this issue.)

18. A greater danger is that Menem may feel impelled to exploit the Falklands issue if he runs into trouble elsewhere, eg with the economy or the armed forces. He may also be capable of an ill-considered knee-jerk reaction to some perceived future British provocation à la Fire Focus. Even the Radicals have shown themselves capable of absurd over-reaction. But they at least have formally foresworn the use of force and have done little in practice to intensify action against British interests in Argentina. The Peronists could well go much further. Some of their wilder brethren speak inter alia of economic sanctions and restrictions on movements of British citizens in Argentina. I do not expect Menem to embark upon measures of this kind from the word go. But he could be pitchforked into them by events.

19. There remains a slim chance that Menem could surprise us by taking a completely new tack. For all that the Peronists talk tough on the Falklands, or perhaps because of this, they are if anything more amenable to informal contact than the Radicals, who are terrified of seeming soft towards Britain. I have received indirect intimations here in Buenos Aires that the Peronists "want a deal". And during his current European tour Menem has said things to suggest that he might contemplate the de-linking of negotiations on trade from the sovereignty issue, although he subsequently contradicted himself. I confess that until we learn otherwise I suspect that there would be an unacceptable quid quo pro in such negotiations. What will finally determine Menem's policy is what is in it for him. And that will in turn depend on his appreciation of the fine balance between the continuing cost of estrangement from Britain and the downside risk of a shift away from the Radical government's rigid stance. I am not convinced that he has the vision to take the courageous course which would serve Argentina's interests best.

The future of Argentine democracy

20. There is a class of Menem critic who is entirely reconciled to the prospect of a Peronist government. His thesis is that the Peronist myth, historically sustained by military intervention which saved it from facing the electorate's judgement, needs exploding once and for all. Either Menem will be successful (which would be a pleasant surprise) or he will fail spectacularly and be booted out in the 1995 elections.

21. But Menem's harshest critics forecast the demise of Argentina's fledgling democracy if he wins. Their scenarios vary. There may be a pre-emptive coup. Or Menem may make such a hash of things all round that the armed forces will be obliged to intervene as in 1976 against Isabel Peron. Or he may launch an internal coup to retain office and lead a right-wing dictatorship. But whichever way he will be responsible for the termination of the democratic experiment.

22. I honestly doubt that it will come to this. For reasons explained in earlier despatches the objective conditions for a coup d'etat are for the moment absent from Argentina. And the main political parties appear firmly committed to the democratic process. It would take economic and social chaos to encourage, and permit, the armed forces to shoulder the burden of government once more in the near future. Menem may well be capable of creating such chaos. But my own forecast would be muddle and mess rather than cataclysm.

Conclusion

23. I am acutely aware that as a view of things to come this is a thin document. But the great Sam Goldwyn might have had Argentina in mind when he so wisely observed that prediction was a dangerous business, particularly where it concerned the future. The Peronists are not yet united and do not have a coherent programme. All their current efforts are dedicated to the prime objective of achieving power. Despite their electioneering slogans they have little clear idea about what they will do if they get it. Comprehensive analysis of their policies is therefore impossible. That said, one's gut feeling has to be that for Argentina, and for Anglo-Argentine relations,

/a Menem ...

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a them victory spells trouble. I should be happy to be proved wrong. But, to paraphrase another Hollywood immortal, my advice is that we tighten our seatbelts and prepare for a bumpy ride.

24. I am copying this despatch to HM Ambassadors at Washington, Berne, Asuncion, Brasilia, La Paz, Montevideo and Santiago, to UKMIS New York, to CBFFI and to the Governor of the Falkland Islands.

I am, Sir,

Yours faithfully

Alan Hunt

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