

BUENOS AIRES

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PROG 9/16/82
DCM:JABUSHNELL
POL:JFKEANE:BW
POL:JFKING
POL-4 AMB DCM, ECON USIS DAO, MILGP SCI CHRON

JAB
JFK
JK

AMEMBASSY BUENOS AIRES
SECSTATE WASHDC
INFO AMEMBASSY ASUNCION
AMEMBASSY BRASILIA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY LONDON
AMEMBASSY MONTEVIDEO
AMEMBASSY ROME
AMEMBASSY SANTIAGO
USCINCSO QUARRY HTS
USCINCLANT NORFOLK VA

ARGENTINA PROJECT (S200000044)
U.S. DEPT. OF STATE, A/RPS/IPS
Margaret P. Grafeld, Director
 Release () Excise () Deny
Exemption(s): _____
Declassify: () In Part In Full
() Classify as ___ () Extend as ___ () Downgrade to ___
Date _____ Declassify on _____ Reason _____

CINCSO FOR INTAFF, CINCLANT FOR POLAD, ROME FOR VATICAN

E.O. 12356: 9/16/92
TAGS: PINT, AR
SUBJ: PRESIDENT BIGNONE'S PERFORMANCE AND PROSPECTS

1. [REDACTED] ENTIRE TEXT
2. SUMMARY: LAUNCHED INTO THE PRESIDENCY AMIDST A HOST OF WRENCHING PROBLEMS IN THE WAKE OF DEFEAT IN THE FALKLANDS AND WITHOUT A SIGNIFICANT POLITICAL BASE, REYNALDO BIGNONE OWES HIS SURVIVAL AS MUCH TO THE DISORGANIZATION OF POTENTIAL OPPOSITION AS TO HIS OWN POLITICAL SAVVY WHICH HAS, HOWEVER, PROVEN TO BE UNCONSIDERABLE. THE BREAKDOWN OF THE LEFT AND THE RISE OF THE RIGHT IN ARGENTINA LEFT BIGNONE IN A POSITION OF WEAKNESS. HIS POLITICAL SAVVY WAS NOT ENOUGH TO OVERCOME THE WEAKNESS OF HIS POSITION. HIS POLITICAL SAVVY WAS NOT ENOUGH TO OVERCOME THE WEAKNESS OF HIS POSITION.

[REDACTED]

PLAN, THE PRESIDENT WAS QUICKLY BESIEGED BY CONFLICTING DEMANDS FOR RELIEF FROM RECESSION-INSPIRED PROBLEMS AND RAPID POLITICAL OPENING, WHILE THE MILITARY STRAIT-JACKETED HIM WITH AN UNREALISTICALLY TOUGH FALKLANDS POLICY AND HECTORED HIM ON OTHER ISSUES.

3. THE OVERARCHING BIGNONE STRATEGY HAS BEEN TO IDENTIFY HIMSELF WITH THE TRANSITION TO DEMOCRACY, THEREBY GAINING THE TACIT SUPPORT OF THE PARTIES, LABOR AND THE CHURCH, AND DISARMING - SO FAR - THE OPPOSITION WHOSE CRITICISM COULD BE CONSTRUED AS AN ATTEMPT TO INTERRUPT THE PROCESS OF RETURN TO CIVILIAN RULE. MEANWHILE, HE HAS TRIED TO IMPROVE HIS RELATIONS WITH THE ARMED SERVICES AND HAS ENCOURAGED THEM TO WORK OUT THEIR INTERNAL AND INTER-SERVICE PROBLEMS. ALBEIT WITH CONSIDERABLE FOOT-DRAGGING, THE MILITARY HAVE NOW HANDED HIM TWO VICTORIES, MUTUAL LIFTING OF FINANCIAL SANCTIONS BETWEEN ARGENTINA AND THE UK AND EXTENSION OF THE 1972 PEACEFUL SETTLEMENT OF DISPUTES TREATY WITH CHILE. THE RESURRECTION OF THE JUNTA IS ALSO A PLUS BECAUSE IT GIVES BIGNONE A MORE SOLID MILITARY POSITION. ALTHOUGH IT FEELS WE ARE HEARING OF A GREAT DEAL OF UNREST AMONG THE ARMY AND AIR FORCE, THE JUNTA IS NOT YET IN A POSITION TO TAKE OVER. THE JUNTA IS NOT YET IN A POSITION TO TAKE OVER. THE JUNTA IS NOT YET IN A POSITION TO TAKE OVER. THE JUNTA IS NOT YET IN A POSITION TO TAKE OVER.

WITH THE POLITICAL PARTIES ON GROUND RULES FOR THE TRANSITION, AND IMPLICITLY FOR THE NEW GOVERNMENT, WHICH WILL PROTECT MILITARY INTERESTS.

4. UNRESOLVED DISCONTENT IN THE ARMY OVER THE MALVINAS DEBACLE AND CONCERN REGARDING THE CONSEQUENCES OF A POLITICAL OPENING REMAIN POTENTIAL THREATS TO THE TENURE OF BOTH THE ARMY COMMANDER AND THE PRESIDENT. THE ARMY'S PROBLEMS MAY BE RESOLVED UPON THE COMPLETION OF THE PROMOTION CYCLE WITH DECISIONS DURING THE NEXT MONTH OR SO. WHETHER TO NEGOTIATE WITH THE IMF REGARDING THE FOREIGN DEBT WILL BE ANOTHER NEAR-TERM CRITICAL DECISION. OVER THE NEXT 6-8 MONTHS WE SUSPECT THE PRESIDENT'S MOST DIFFICULT TASK WILL BE HANDLING THE ECONOMY. INFLATION DURING THE LAST 70 DAYS HAS BEEN RUNNING AT THE RATE OF 600 PER CENT ANNUALLY DESPITE A SEVERE RECESSION, AND THUS FAR THE ONLY SIGNS OF AN ECONOMIC PROGRAM SUGGESTS A TILT TOWARD A DIRIGIST ECONOMY. THE DEMOCRATIZATION UMBRELLA AND THE GENERAL PERCEPTION THAT A VIABLE ALTERNATIVE TO BIGNONE IS LACKING PROVIDE THE PRESIDENT WITH SOME PROTECTION AND ROOM FOR MANEUVER. THESE ADVANTAGES WILL BE LOST IF THE PRESIDENT FAILS TO TAKE THE APPROPRIATE STEPS TO BRING THE ECONOMY UNDER CONTROL. THE PRESIDENT WILL NEED TO BE WILLING TO TAKE THE NECESSARY STEPS TO BRING THE ECONOMY UNDER CONTROL. THE PRESIDENT WILL NEED TO BE WILLING TO TAKE THE NECESSARY STEPS TO BRING THE ECONOMY UNDER CONTROL.

GOVERNMENT STRUCTURE. HIS PUBLIC APPEARANCES AND TALKS WITH POLITICAL AND OTHER LEADERS OVER THE PAST MONTH HAVE BEGUN THIS PROCESS WHILE THE ARMY HAS BEEN FOCUSED ON INTERNAL PROBLEMS. WHAT THE REESTABLISHMENT OF THE JUNTA AND A COMING SHAKE-OUT IN THE ARMY WILL MEAN FOR BIGNONE'S PERSONAL ROLE REMAINS TO BE SEEN. END SUMMARY

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REYNALDO WHO?

5. WHEN REYNALDO BIGNONE ASSUMED THE PRESIDENCY ON JULY 1, MANY OBSERVERS DOUBTED HE WOULD SURVIVE FOR OVER TWO MONTHS. ALTHOUGH A DISTINGUISHED MILITARY OFFICER, HE WAS NOT ONE OF HIS HALF-DOZEN COMPEERS CONSIDERED "PRESIDENCIABLE" EITHER WHILE ON ACTIVE DUTY OR SUBSEQUENTLY. TO THIS DAY IT IS NOT CLEAR WHY HE WAS CHOSEN, ALTHOUGH HIS TIES TO FORMER PRESIDENT VIDELA AND VIOLA, WHO STILL HAVE FRIENDS IN THE ARMY, WAS PROBABLY AN IMPORTANT FACTOR AS WAS HIS REPUTATION FOR BEING POLITICALLY SAVVY. WHAT IS CERTAIN IS THAT THE ARMY'S IMPOSITION OF BIGNONE PROVOKED THE RUPTURE OF THE MILITARY JUNTA, AS THE NAVY AND AIR FORCE ANNOUNCED THAT THEY WOULD NOT ENDORSE HIM AND SAID THEY WOULD LEAVE BIGNONE RESPONSIBLE FOR THE SITUATION. THE AIR FORCE SAID IT WOULD NOT OBEY HIS ORDERS AND THE NAVY SAID IT WOULD NOT OBEY HIS ORDERS. THE AIR FORCE SAID IT WOULD NOT OBEY HIS ORDERS AND THE NAVY SAID IT WOULD NOT OBEY HIS ORDERS. THE AIR FORCE SAID IT WOULD NOT OBEY HIS ORDERS AND THE NAVY SAID IT WOULD NOT OBEY HIS ORDERS.

[REDACTED]

AT THE ORDER OF NICOLAIDES ALONE, WHOSE POSITION AS
COMMANDER OF THE ARMY WAS PRECARIOUS AND HAS BECOME MORE
UNCERTAIN OVER THE LAST TWO MONTHS.

6. WHILE ON SUCH SHAKY GROUND, THE PRESIDENT HAD TO
WRESTLE WITH THE CLAMORS OF LABOR AND MANAGEMENT FOR
RELIEF FROM THE CONSEQUENCES OF A LONG AND DEEP RECESSION
INCLUDING A SEVERE SQUEEZE ON INEFFICIENT MANUFACTURERS,
DEFAULT ON INTERNATIONAL FINANCIAL OBLIGATIONS, A FOREIGN
POLICY STRAIT-JACKETED BY THE SOUTH ATLANTIC CONFLICT
AND CONSTANT DEMANDS FROM HUMAN RIGHTS GROUPS AND
POLITICAL PARTIES.

7. THE CORE OF THE PRESIDENT'S STRATEGY WAS TO IDENTIFY
HIMSELF WITH THE POLITICAL OPENING, THEREBY HOPING TO
SECURE THE TACIT SUPPORT OF THE POLITICAL PARTIES, CHURCH
AND LABOR. BIGNONE ATTEMPTED TO QUIET THE CLAMOR OF
INDUSTRIAL SECTORS BY WIPING OUT PART OF THEIR DEBT
BURDEN. HE HOPED TO STILL LABOR UNREST WITH A VOLUNTARY
PRICE CONTROL SYSTEM AND PROMISES TO ACCELERATE TRADE
UNION NORMALIZATION AND RESTORATION OF UNION EMPLOYEES
AND WORKER HEALTH PROGRAMS. THEIR RESPONSES PROCEEDED
THE PRESIDENT'S POLICY. THESE POLICY WERE ELABORATED
IN THE PRESIDENT'S POLICY STATEMENT. THE PRESIDENT'S
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BIGNONE-ARMED FORCES RELATIONS STRAINED

8. THE NAVY DISAGREES STRONGLY WITH BIGNONE ON A NUMBER OF POLICY ISSUES. IN A RECENT INTERNAL MEMORANDUM, LEAKED TO THE PRESS, THE NAVY MADE CLEAR ITS OPPOSITION TO (A) WHAT IT DESCRIBED AS THE GOVERNMENT'S "INDECISIVE AND VACILLATING FOREIGN POLICY" (READ THAT THE NAVY WANTS A TOUGHER STANCE ON THE MALVINAS); (B) THE POLITICAL PARTY STATUTE'S FAILURE TO ENCOURAGE THE EMERGENCE OF A STRONG CONSERVATIVE PARTY (BA 5150); (C) FAILURE TO OBTAIN POLITICAL PARTY AGREEMENT ON KEY ISSUES DURING THE TRANSITION PERIOD, E.G., WAYS TO PROTECT MILITARY FROM AN ACCOUNTING FOR EXCESSES DURING THE "DIRTY WAR" AND MISTAKES RELATED TO THE FALKLANDS CONFLICT; AND (D) GOA COURTSHIP OF LABOR UNION LEADERS, PARTICULARLY THE GOA PROMISE TO RETURN PARTIAL UNION CONTROL OVER WORKER HEALTH PROGRAMS.

9. ADDED TO THESE SPECIFIC CONCERNS IS THE NAVY'S OPPOSITION, MAINTAINED THROUGHOUT THE PERIOD OF MILITARY RULE BEGINNING IN 1976, TO OVERWHELMING PREDOMINANCE OF THE ARMY IN GOVERNMENTAL DECISION-MAKING. DUE TO THE SPECIALIZED NATURE OF MILITARY TRAINING AND THE NEED FOR HIGHLY TRAINED PERSONNEL TO MANAGE THE ARMY'S OPERATIONS, THE ARMY HAS BEEN ABLE TO OBTAIN A STRONG POSITION IN GOVERNMENTAL AFFAIRS. THE ARMY'S POSITION IS FURTHER STRENGTHENED BY THE GOVERNMENT'S POLICY OF PROMOTING MILITARY OFFICERS TO CIVILIAN POSITIONS IN THE GOVERNMENT.

[REDACTED]

PRESIDENT THAT WAS RELATIVELY AUTONOMOUS FROM THE ARMY.

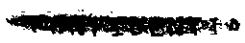
10. FOR ITS PART, THE AIR FORCE NOW APPEARS MORE DISPOSED TO COOPERATING WITH ARMY CINC NICOLAIDES AND THE PRESIDENT THAN IT WAS UNDER ITS FORMER CHIEF LAMI DOZO. BUT RELATIONS BETWEEN THE PRESIDENT AND THE AIR FORCE WILL NOT BE EASY, GIVEN THE LATTER'S APPARENT NATIONALIST LEANINGS, AS REFLECTED BY ITS INITIAL OPPOSITION TO LIFTING FINANCIAL SANCTIONS AGAINST GREAT BRITAIN.

11. FINALLY, BIGNONE'S POSITION MAY BE AFFECTED BY THE OUTCOME OF THE CURRENT CYCLE OF PROMOTIONS, RETIREMENTS AND REASSIGNMENTS IN THE ARMY, AND THE REACTION OF THE JUNIOR GENERALS AND COLONELS TO THIS AND THE RESULTS OF THE CALVI COMMISSION EVALUATION OF OFFICER PERFORMANCE DURING THE WAR. THE CALVI COMMISSION HAS FINISHED ITS WORK AND DELIVERED ITS FINDINGS TO THE PROMOTION PANELS. ACCORDING TO PRESS REPORTS, THE PRECISE CONTENTS OF THAT EVALUATION WILL ONLY BE REVEALED TO THE PANELS AND THE COMMANDER IN CHIEF. IF REPORTS OF A WHITEWASH PROVE TO BE TRUE, DISCONTENT WITHIN OFFICER RANKS IS apt to INCREASE WITH UNPREDICTABLE CONSEQUENCES FOR THE TEMPER OF THE ARMY. SOME OF THE MORE LOCAL OFFICERS WHOSE OPINIONS ARE OFTEN HEARD IN THE ARMY ARE REPORTED TO BE DISCONTENTED WITH THE RESULTS OF THE CALVI COMMISSION. THE RESULTS OF THE CALVI COMMISSION WILL BE REVEALED TO THE

ARMY, (C) REPLACING BIGNONE WITH ANOTHER RETIRED ARMY GENERAL, OR (D) REPLACING BIGNONE WITH A CURRENT ACTIVE DUTY ARMY GENERAL WHO WOULD BE RETIRED FOR THE PURPOSE -- THE MOST LIKELY CANDIDATE WOULD SEEM TO BE FIRST CORPS COMMANDER MAJOR GENERAL JUAN CARLOS TRIMARCO.

12. NICOLAIDES' OWN INTENTIONS ARE A MYSTERY. DURING THE FIRST SEVEN WEEKS OF THE BIGNONE ADMINISTRATION, THE ARMY CINC STOLE MOST OF THE LIMELIGHT AND MUCKED AROUND IN AREAS OF PRESUMED PRESIDENTIAL RESPONSIBILITY, INCLUDING CONTACT WITH POLITICAL AND LABOR LEADERS WHICH UNDERMINED PRESIDENTIAL AUTHORITY (BA 4868). HIS INSISTENCE AT THE BEGINNING OF THE BIGNONE PRESIDENCY THAT POPULIST DOMINGO CAVALLO RUN THE CENTRAL BANK AND MUCH OF ECONOMIC POLICY SUGGESTED HE WAS NOT GOING TO ALLOW THE PRESIDENT TO CONDUCT ECONOMIC POLICY. NEVERTHELESS, THE OUTCOME OF THE RESIGNATIONS OF DAGNINO PASTORE AND CAVALLO APPEARED TO BE A STRENGTHENED HAND FOR THE PRESIDENT. CERTAINLY NEW ECONOMY MINISTER WENBE, GIVEN THE MANY CONSTRAINTS LIMITING HIS FREEDOM OF ACTION IN ANY CASE HE MAY HAVE A FULL MANDATE TO RUN THE ECONOMY. HOWEVER, HIS POLICY LABELS TO BE FREE MARKET WITH CAPITALISM. THE GOVERNMENTAL POLICY...

--BIGNONE COURTS THE ARMED FORCES--THE JUNTA RESURRECTED
 13. BIGNONE HAS THEREFORE BEEN TRYING TO WORK WITH TWO
 GOVERNMENTS, ONE OF THEM THE MILITARY, DIVIDED IN THREE
 PARTS. HE HAS SENT COMPETENT ECONOMISTS TO EDUCATE SOME
 OF THE GENERALS ABOUT THE CONSEQUENCES FOR ARGENTINA
 OF BEING DECLARED IN DEFAULT ON ITS FOREIGN DEBT. HE
 HAS LUNCHEDED FREQUENTLY WITH THE ARMED SERVICE COMMANDERS
 AND CALLS REGULAR MEETINGS OF THE MILITARY COMMITTEE
 (COMPRISED OF THE PRESIDENT, THREE SERVICE CHIEFS, THE
 FOREIGN MINISTER AND THE CHIEF OF THE JOINT COMMAND)
 WHICH BECAME THE SUBSTITUTE FOR THE MILITARY JUNTA
 AFTER THE JUNE 22 RUPTURE. HIS EFFORTS HAVE NOT BEEN
 FRUITLESS, AS INDICATED BY THE DECISION TO EXTEND THE
 1972 TREATY WITH CHILE ON THE PEACEFUL SETTLEMENT OF
 DISPUTES. HE IS ALLOWING THE FOREIGN MINISTRY TO MAKE
 THE UN VOTE ON THE MALVINAS ITS ALMOST EXCLUSIVE PRE-
 OCCUPATION, BECAUSE HE KNOWS THAT THIS IS DEAR TO THE
 ARMED SERVICES. BIGNONE IS UNDOUBTEDLY ALSO BENEFITTING
 FROM HIS CLOSE TIES TO INFLUENTIAL RETIRED MILITARY
 OFFICERS BOTH AS AIDE-DE-CAMP AND AS A PERSONAL
 CONFIDENTIAL ADVISOR TO THE PRESIDENT. HE HAS BEEN
 SEEN AT THE HOUSE OF THE PRESIDENT AND HIS WIFE AND
 AT THE HOUSE OF THE VICE-PRESIDENT AND HIS WIFE AND
 AT THE HOUSE OF THE CHIEF OF THE JOINT COMMAND AND HIS WIFE
 AND AT THE HOUSE OF THE CHIEF OF THE NAVY AND HIS WIFE



OPTIN TO THE MILITARY AND SEEK THEIR SUPPORT.

14. IN RETROSPECT, IT WAS PROBABLY TO THE PRESIDENT'S ADVANTAGE THAT ALL THREE ARMED SERVICES WERE CONSUMED SINCE THE WAR WITH THEIR OWN INTERNAL HOUSECLEANING AND POWER STRUGGLES. OTHERWISE THEY MIGHT HAVE BEEN ABLE TO MAKE THEIR OPPOSITION TO CERTAIN POLICIES EFFECTIVE. THE MOST SIGNIFICANT CHANGES RESULTING FROM THE MILITARY SHAKEUP NOW APPEAR TO BE RESOLVED IN THE AIR FORCE AND NAVY, BUT IT IS NOT CLEAR YET WHAT BASIC POLITICAL ORIENTATIONS THE NEW LEADERS REPRESENT.

15. THE RECONSTITUTION OF THE JUNTA THEORETICALLY GIVES THE PRESIDENT A BROADER BASE OF SUPPORT AND MAY RESTORE SOME ORDER TO WHAT HAS BEEN A CONFUSED, INCOHERENT AND DISINTEGRATED POWER STRUCTURE. HOWEVER, IT REMAINS TO BE SEEN WHETHER IT REPRESENTS STRENGTHENING OF PRESIDENTIAL AUTHORITY; BIGNONE WILL PROBABLY BE ON A SHORTER LEASH. FOR EXAMPLE, THE PRESIDENT'S FIRST CLEAR INSTRUCTION FROM THE JUNTA IS TO REACH AN ACCORD WITH REPRESENTATIVE SECTORS OF THE SOCIETY ON A TRANSITION PLAN, NO MEAN FEAT WHEN HE HAS ELSONELL, LIBRE AND THE PARTIES REPRESENTED. HOWEVER, IN THEIR A BRIC, OF THE (D) AND (E) (F) (G) (H) (I) (J) (K) (L) (M) (N) (O) (P) (Q) (R) (S) (T) (U) (V) (W) (X) (Y) (Z) (AA) (AB) (AC) (AD) (AE) (AF) (AG) (AH) (AI) (AJ) (AK) (AL) (AM) (AN) (AO) (AP) (AQ) (AR) (AS) (AT) (AU) (AV) (AW) (AX) (AY) (AZ) (BA) (BB) (BC) (BD) (BE) (BF) (BG) (BH) (BI) (BJ) (BK) (BL) (BM) (BN) (BO) (BP) (BQ) (BR) (BS) (BT) (BU) (BV) (BW) (BX) (BY) (BZ) (CA) (CB) (CC) (CD) (CE) (CF) (CG) (CH) (CI) (CJ) (CK) (CL) (CM) (CN) (CO) (CP) (CQ) (CR) (CS) (CT) (CU) (CV) (CW) (CX) (CY) (CZ) (DA) (DB) (DC) (DD) (DE) (DF) (DG) (DH) (DI) (DJ) (DK) (DL) (DM) (DN) (DO) (DP) (DQ) (DR) (DS) (DT) (DU) (DV) (DW) (DX) (DY) (DZ) (EA) (EB) (EC) (ED) (EE) (EF) (EG) (EH) (EI) (EJ) (EK) (EL) (EM) (EN) (EO) (EP) (EQ) (ER) (ES) (ET) (EU) (EV) (EW) (EX) (EY) (EZ) (FA) (FB) (FC) (FD) (FE) (FF) (FG) (FH) (FI) (FJ) (FK) (FL) (FM) (FN) (FO) (FP) (FQ) (FR) (FS) (FT) (FU) (FV) (FW) (FX) (FY) (FZ) (GA) (GB) (GC) (GD) (GE) (GF) (GG) (GH) (GI) (GJ) (GK) (GL) (GM) (GN) (GO) (GP) (GQ) (GR) (GS) (GT) (GU) (GV) (GW) (GX) (GY) (GZ) (HA) (HB) (HC) (HD) (HE) (HF) (HG) (HH) (HI) (HJ) (HK) (HL) (HM) (HN) (HO) (HP) (HQ) (HR) (HS) (HT) (HU) (HV) (HW) (HX) (HY) (HZ) (IA) (IB) (IC) (ID) (IE) (IF) (IG) (IH) (II) (IJ) (IK) (IL) (IM) (IN) (IO) (IP) (IQ) (IR) (IS) (IT) (IU) (IV) (IW) (IX) (IY) (IZ) (JA) (JB) (JC) (JD) (JE) (JF) (JG) (JH) (JI) (JJ) (JK) (JL) (JM) (JN) (JO) (JP) (JQ) (JR) (JS) (JT) (JU) (JV) (JW) (JX) (JY) (JZ) (KA) (KB) (KC) (KD) (KE) (KF) (KG) (KH) (KI) (KJ) (KK) (KL) (KM) (KN) (KO) (KP) (KQ) (KR) (KS) (KT) (KU) (KV) (KW) (KX) (KY) (KZ) (LA) (LB) (LC) (LD) (LE) (LF) (LG) (LH) (LI) (LJ) (LK) (LL) (LM) (LN) (LO) (LP) (LQ) (LR) (LS) (LT) (LU) (LV) (LW) (LX) (LY) (LZ) (MA) (MB) (MC) (MD) (ME) (MF) (MG) (MH) (MI) (MJ) (MK) (ML) (MM) (MN) (MO) (MP) (MQ) (MR) (MS) (MT) (MU) (MV) (MW) (MX) (MY) (MZ) (NA) (NB) (NC) (ND) (NE) (NF) (NG) (NH) (NI) (NJ) (NK) (NL) (NM) (NN) (NO) (NP) (NQ) (NR) (NS) (NT) (NU) (NV) (NW) (NX) (NY) (NZ) (OA) (OB) (OC) (OD) (OE) (OF) (OG) (OH) (OI) (OJ) (OK) (OL) (OM) (ON) (OO) (OP) (OQ) (OR) (OS) (OT) (OU) (OV) (OW) (OX) (OY) (OZ) (PA) (PB) (PC) (PD) (PE) (PF) (PG) (PH) (PI) (PJ) (PK) (PL) (PM) (PN) (PO) (PP) (PQ) (PR) (PS) (PT) (PU) (PV) (PW) (PX) (PY) (PZ) (QA) (QB) (QC) (QD) (QE) (QF) (QG) (QH) (QI) (QJ) (QK) (QL) (QM) (QN) (QO) (QP) (QQ) (QR) (QS) (QT) (QU) (QV) (QW) (QX) (QY) (QZ) (RA) (RB) (RC) (RD) (RE) (RF) (RG) (RH) (RI) (RJ) (RK) (RL) (RM) (RN) (RO) (RP) (RQ) (RR) (RS) (RT) (RU) (RV) (RW) (RX) (RY) (RZ) (SA) (SB) (SC) (SD) (SE) (SF) (SG) (SH) (SI) (SJ) (SK) (SL) (SM) (SN) (SO) (SP) (SQ) (SR) (SS) (ST) (SU) (SV) (SW) (SX) (SY) (SZ) (TA) (TB) (TC) (TD) (TE) (TF) (TG) (TH) (TI) (TJ) (TK) (TL) (TM) (TN) (TO) (TP) (TQ) (TR) (TS) (TU) (TV) (TW) (TX) (TY) (TZ) (UA) (UB) (UC) (UD) (UE) (UF) (UG) (UH) (UI) (UJ) (UK) (UL) (UM) (UN) (UO) (UP) (UQ) (UR) (US) (UT) (UU) (UV) (UW) (UX) (UY) (UZ) (VA) (VB) (VC) (VD) (VE) (VF) (VG) (VH) (VI) (VJ) (VK) (VL) (VM) (VN) (VO) (VP) (VQ) (VR) (VS) (VT) (VU) (VV) (VW) (VX) (VY) (VZ) (WA) (WB) (WC) (WD) (WE) (WF) (WG) (WH) (WI) (WJ) (WK) (WL) (WM) (WN) (WO) (WP) (WQ) (WR) (WS) (WT) (WU) (WV) (WW) (WX) (WY) (WZ) (XA) (XB) (XC) (XD) (XE) (XF) (XG) (XH) (XI) (XJ) (XK) (XL) (XM) (XN) (XO) (XP) (XQ) (XR) (XS) (XT) (XU) (XV) (XW) (XX) (XY) (XZ) (YA) (YB) (YC) (YD) (YE) (YF) (YG) (YH) (YI) (YJ) (YK) (YL) (YM) (YN) (YO) (YP) (YQ) (YR) (YS) (YT) (YU) (YV) (YW) (YX) (YZ) (ZA) (ZB) (ZC) (ZD) (ZE) (ZF) (ZG) (ZH) (ZI) (ZJ) (ZK) (ZL) (ZM) (ZN) (ZO) (ZP) (ZQ) (ZR) (ZS) (ZT) (ZU) (ZV) (ZW) (ZX) (ZY) (ZZ)

[REDACTED]

TO STAY AHEAD OF OR AT LEAST REACT QUICKLY TO EVENTS. FINALLY, WE DO NOT KNOW WHAT PRICE THE NAVY AND AIR FORCE MAY HAVE EXACTED IN EXCHANGE FOR RETURNING TO THE JUNTA. IT COULD MEAN THE REPLACEMENT OF THE MINISTERS OF LABOR AND SOCIAL ACTION OR SPECIAL GUIDANCE REGARDING THE NEW ELECTORAL LAW. IN ANY EVENT, BIGNONE MAY HAVE MORE TO FEAR FROM A NAVY AND AIR FORCE THAT ARE INTERNALLY COHESIVE, PURPOSEFUL AND INSIDE THE JUNTA THAN WHEN THEY WERE DIVIDED, UNFOCUSED AND OUTSIDE.

SEEKING CIVILIAN SUPPORT

16. BIGNONE HAS ANCHORED HIMSELF SOLIDLY TO THE DEMOCRATIC OPENING, WHICH HAS EARNED HIM THE TACIT SUPPORT OF THE POLITICIANS, LABOR AND CHURCH. HIS FIRST ACTS WERE TO LIFT THE PROHIBITION ON PARTY ACTIVITIES, CONVOKE THE POLITICAL PARTIES AND REAFFIRM THE GOVERNMENT'S COMMITMENT TO DEMOCRATIZATION BY INVOKING THE JUNTA PLEDGE TO HAND OVER POWER TO CIVILIANS BY EARLY 1984. BIGNONE MAINTAINS CONSTANT AND HIGHLY PUBLICIZED CONTACT WITH PARTY LEADERS AND HAS DELIVERED 16 PROMISED MEASURES WHICH THE JUNTA HAS ACCEPTED.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

THEIR INTERNAL ELECTIONS. SINCE SETTING A DATE FOR NATIONAL ELECTIONS WOULD PROBABLY STRENGTHEN THE PRESIDENT'S POSITION, IT HAS BEEN SUGGESTED THAT UNWILLINGNESS TO DO SO REFLECTS AN INTENTION TO DELAY THE DEMOCRATIZATION PROCESS AS LONG AS POSSIBLE. WE SUSPECT, HOWEVER, THAT THE MILITARY OPPOSE FIXING AN ELECTION DATE UNTIL THEY HAVE AN AGREEMENT WITH THE PARTIES ON RULES FOR THE TRANSITION. IN OTHER WORDS, THE ELECTION DATE WILL BE A BARGAINING CHIP. BIGNONE HAS INDICATED THAT THE STATE OF SEIGE WILL BE LIFTED AFTER THE PARTIES ARE REORGANIZED AND THE ELECTION CAMPAIGN GETS UNDER WAY.

18. HIS OVERTURES PRODUCED IMMEDIATE RESULTS. THE POLITICAL PARTIES, WHILE NOT CEASING TO CRITICIZE THE GOVERNMENT, PARTICULARLY ON ECONOMIC POLICY, GENERALLY HAVE BEEN CAUTIOUS AND HAVE OFTEN SPOKEN OUT AGAINST THE POSSIBILITY OF A COUP, WHICH THEY SAY WOULD BE REPUDIATED BY THE POPULACE. THE STATEMENT OF THE ARGENTINE BISHOPS ON AUGUST 14 (BA 4793) WARNING AGAINST A COUP OR ANY INTERRUPTION OF THE TRANSITION ALSO BUTTRESSED THE PRESIDENT'S POSITION.

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WAGE INCREASES GRANTED DURING THE LAST FEW MONTHS AND PROMISED FOR THE FUTURE FALL FAR SHORT OF UNION HOPES, BUT WERE INTENDED TO LESSEN THE IMPACT OF THE SURGE IN INFLATION. FOR THEIR PART, TRADE UNION LEADERS THUS FAR HAVE BEEN RESTRAINED, GIVEN THE DRAMATIC DECLINE IN LIVING STANDARDS OF WORKERS (34 PERCENT DECLINE IN REAL WAGES DURING THE FIRST SEMESTER OF 1982, ACCORDING TO THE NATIONAL STATISTICS INSTITUTE). THERE WAS A MAJOR TRANSPORT STRIKE, BUT IT LASTED ONLY 24 HOURS, THERE WAS NO VIOLENCE, AND THE UNION LEADERS APPARENTLY INTENDED TO AVOID CAUSING POLITICAL TROUBLE FOR THE GOVERNMENT. FOR ITS PART, THE GOA WISELY DID NOT INTERFERE WITH THE STRIKE. THERE HAVE BEEN OTHER STRIKES AS WELL, BUT THEIR REPERCUSSIONS WERE MINIMAL. FINALLY, THE MINISTRIES OF LABOR AND SOCIAL ACTION (WELFARE) ARE THE SCENE OF DAILY DEMONSTRATIONS BY UNION RANK AND FILE OR RECIPIENTS OF BENEFITS, RESPECTIVELY, DEMANDING FOR ONE MEASURE OR ANOTHER TO HELP RELIEVE THEIR STRAIGHTENED CIRCUMSTANCES. THE GOA PERMITS THEM ON THE CONDITION, AS THE LABOR MINISTER EMPHATICALLY STATED, THAT PEOPLE MUST NOT GO TO THE STREETS.

THE GOA GOVERNMENT HAS BEEN VERY SUCCESSFUL IN MAINTAINING RELATIONS WITH THE UNION LEADERS WITH THE GOVERNMENT. THE GOA GOVERNMENT HAS BEEN VERY SUCCESSFUL IN MAINTAINING RELATIONS WITH THE UNION LEADERS WITH THE GOVERNMENT.

24-HOUR STRIKE FOR SEPTEMBER 23. THE STRIKE IS SCHEDULED TO FOLLOW ON THE HEELS OF A DEMONSTRATION SEPTEMBER 22 PLANNED BY THE OTHER MAJOR LABOR CONFEDERATION, THE CGT OF BRAZIL STREET. IT REMAINS TO BE SEEN WHETHER THE TWO CGTS ARE SERIOUS AND HAVE RANK AND FILE SUPPORT. IN ANY EVENT, THE PRESIDENT WARNED ON SEPTEMBER 16 THAT UNSPECIFIED "APPROPRIATE MEASURES" WOULD BE TAKEN REGARDING THE STRIKE AND THE MINISTER OF LABOR ACCUSED SOME OF THE STRIKERS OF POLITICAL MOTIVES. MOST TRADE UNION LEADERS, WE THINK, WANT TO SEE AN END TO THE MILITARY GOVERNMENT AND WOULD PREFER NOT TO CONTRIBUTE TO A CLIMATE --BY CREATING AN APPEARANCE OF BREAKDOWN IN PUBLIC ORDER-- THAT WOULD BE PROPITIOUS FOR A COUP. ON THE OTHER HAND, THEY APPEAR TO BE INTENT ON PRESSURING THE GOVERNMENT FOR WIDESPREAD PRICE CONTROLS, CATCH-UP WAGE INCREASES AND/OR SUBSIDIES ON ESSENTIAL GOODS THAT COULD HELP PROVOKE HYPER-INFLATION AND BE THE PRESIDENT'S UNDOING.

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A SENSE OF DRIFT

~~22~~²¹ | APART FROM THE DEMOCRATIZATION GOAL AND THE FALK-
 LANDS OBSESSION IN FOREIGN POLICY, THE GOVERNMENT HAS NOT
 CLARIFIED ITS PLANS. IT APPEARS VACILLATING AND LACKING
 IN CENTRALIZED DIRECTION. THE INCOMPATIBILITY OF THE
 OBJECTIVES OF FORMER ECONOMY MINISTER DAGNINO PASTORE
 AND CENTRAL BANK PRESIDENT CAVALLO WAS THE MOST OBVIOUS
 EXAMPLE. HOWEVER, THE OTHER MINISTERS ARE CARRYING OUT
 PROGRAMS AND POLICIES WHICH DO NOT SEEM TO FORM PART OF
 A COHERENT WHOLE. WHILE THE NEW ECONOMY MINISTER, JORGE
 WEHBE, IS FULLY AWARE OF THE NEED FOR BELT-TIGHTENING
 AND INFLATION CONTROL, PUBLIC WORKS MINISTER BAUER IS
 CONTEMPLATING EXPANSIONARY CONSTRUCTION PROJECTS.

~~22~~²² | FOR HIS PART, THE LABOR MINISTER ADVOCATES WAGE
 INCREASES AND IS ACCELERATING THE NORMALIZATION OF TRADE
 UNIONS, WHICH WOULD TEND TO STRENGTHEN THE LABOR MOVE-
 MENT. A COHERENT POLICY OF EXPORT PROMOTION HAS YET TO
 EMERGE. THE GOA FIRST MADE IT POSSIBLE FOR INDUSTRIAL-
 FIRMS TO REPAY THEIR DEBT SUBSTANTIALLY ALMOST OVERNIGHT
 AND WERE THEN PLACED UNDER PRICE CONTROLS. IN THOUGH THE
 GOVERNMENT TRIED TO BRING DOWN THE PRICE OF EXPORTS TO
 LEVELS WHICH WOULD BE BENEFICIAL TO THE EXPORTERS. IN
 THE MEANTIME THE GOVERNMENT HAS BEEN UNABLE TO
 BRING ABOUT A COHERENT POLICY OF EXPORT PROMOTION.

THINK IT IS SOMETHING HE WILL HAVE TO CORRECT SOON IF HE WANTS TO AVOID A REPUTATION FOR WEAKNESS AND DRIFT, NOT TO MENTION HYPERINFLATION, SHORTAGES AND SIMILAR PROBLEMS.

-- ENEMIES AND AMNESTIES

23.

24.* BIGNONE FACES THE OPPOSITION OF BUSINESS SECTORS WHICH FORESEE JEOPARDY TO THEIR ECONOMIC INTERESTS IN A RETURN TO CIVILIAN GOVERNMENT THAT IS LIKELY TO HAVE DISTRIBUTIONIST AND PROTECTIONIST LEANINGS, PARTICULARLY IF, AS THEY FARE**FEAR, THE PERONISTS WIN. SIMILARLY, THE SMALL CONSERVATIVE PARTIES WHICH ACCOMPANIED THE MILITARY REGIME ARE FULLY AWARE THAT THEY WILL BE RELEGATED TO OBLIVION IN MARCH 1984. HOWEVER, WE HAVE NO RELIABLE EVIDENCE TO LINK THESE CONSERVATIVE GROUPS TO CONCRETE ACTIONS INTENDED TO DESTABLIZ**DESTABILIZE BIGNONE AND INTERRUPT DEMOCRATIZATION. THE PRESIDENT ALSO MAY BE THE TARGET OF SOME ULTRA-NATIONALISTS, MILITARY AND CIVILIAN, WHO YEARN FOR A CONTINUING BELLIGERENT STANCE ON THE MALOCMAS. ALLEGED ATTEMPTS TO CORRUPT MILITARY AND CIVILIAN OFFICIALS TO REVERSE THE COURSE OF DEMOCRATIZATION HAVE BEEN REPORTED. THESE ATTEMPTS ARE BELIEVED TO BE THE WORK OF ULTRA-NATIONALISTS WHO YEARN FOR A CONTINUING BELLIGERENT STANCE ON THE MALOCMAS.

MINISTER OF INTERIOR. AS RECENTLY AS SEPTEMBER 15, THE PRESIDENT FELT CONSTRAINED TO DENY THAT THERE IS DIS-
CONTENT IN THE ARMY ~~AND~~ OR THAT RESIGNATIONS OF CABINET MEMBERS ARE IMMINENT.

24.
~~XXXXXX~~ HUMAN RIGHTS IS PARTICULARLY DIFFICULT PROBLEM FOR BIGNONE OR ANY SUCCESSOR. RELEASES OF PEN DETAINEES HAVE CONTINUED AND BIGNONE HAS PREDICTED RESOLUTION OF THE PEN PRISONER PROBLEM PRIOR TO THE TRANSFER OF POWER. HOWEVER, THE MUCH MORE SENSITIVE ISSUE OF AN ACCOUNTING FOR THE DISAPPEARED IS RECEIVING INCREASING ATTENTION FROM THE CHURCH AND POLITICAL PARTIES WHICH HAVE JOINED HUMAN RIGHTS GROUPS IN ASKING FOR AN EXPLANATION OF THEIR FATE. IN PARTICULAR, RECENT ACCUSATIONS BY JUAN ALEMANN, FINANCE SECRETARY IN THE VIDELA ADMINISTRATION, THAT THE NAVY WAS RESPONSIBLE FOR THE DISAPPEARANCE MURDER OF FORMER ARGENTINE AMBASSADOR TO VENEZUELA HECTOR HIDALGO SOLA AND THE DISAPPEARANCE MURDER OF FOREIGN SERVICE OFFICER ELENA HOLMBERG BROUGHT THE ISSUE OF HUMAN RIGHTS VIOLATIONS TO CENTER STAGE AND UNDOUBTEDLY WILL KEEP THE MARCHES OF THE ARGENTINE PEOPLE FOR HUMAN RIGHTS ALIVE FOR SOME TIME TO COME.

SECRET



EXCEPT THE "REAPPEARANCE IN GOOD HEALTH" OF THE DIS-
APPEARED AND "JUSTICE". RESPONSIBLE POLITICIANS IN
MAJOR PARTIES RECOGNIZE THE NEED TO FIND A WAY OF
MANAGING THIS PROBLEM THAT DOES NOT BLOCK THE PATH
TO CIVILIAN RULE, BUT THEY APPEAR TO WANT THE MILITARY
TO CLEAR IT UP ON THEIR OWN. THE MILITARY, HOWEVER, ~~REMAIN~~
REMAIN ~~DETERMINED~~ DETERMINED TO PREVENT ANY REVIEW OF THE
PAST ON THIS ISSUE.

[Redacted]

MINISTERS WHOSE INTERESTS ARE REPRESENTED IN THE ARGENTINE GOVERNMENT ARE
 PRESIDENTS WHOSE INTERESTS ARE REPRESENTED IN THE ARGENTINE GOVERNMENT
 GOVERNMENT WHOSE INTERESTS ARE REPRESENTED IN THE ARGENTINE GOVERNMENT
 MEMBERS ARE IMMEDIATELY.

-- THE OUTLOOK

25.
~~XXX~~/ THE LIFTING OF SANCTIONS AGAINST GREAT BRITAIN AND THE EXTENSION OF THE 1972 DISPUTES TREATY WITH CHILE ARE MAJOR VICTORIES FOR THE PRESIDENT. THE ADVANTAGES OF RECONSTITUTING THE JUNTA MAY ALSO OUTWEIGH THE DISADVANTAGES. BUT THE PRESIDENT HAS FORMIDABLE CHALLENGES AHEAD, INCLUDING INFLATION, LABOR UNREST AND THE NEED TO AVOID BEING DECLARED IN DEFAULT ON ARGENTINA'S FOREIGN DEBT.

26.
~~XXX~~/ A DECISION ON HOW AND WHETHER TO ^{work} ~~CALL A MEETING~~ WITH THE IMF ~~ON DEBT RESCHEDULING~~ WILL BE A MAJOR WATERSHED FOR THE PRESIDENT. WE SENSE THAT TWO CURRENTS OF OPINION ARE CONVERGING WHICH ARE NOT FAVORABLE TO REACHING AN UNDERSTANDING WITH THE IMF. ONE CURRENT BELIEVES IN NATIONALIST GROUNDS THE OTHER DEEMS IT UNREALISTIC THAT A DEBT RESCHEDULEMENT WILL BE GRANTED. WE BELIEVE THAT THE PRESIDENT'S CURRENT POLICY OF NATIONALISM IS NOT FAVORABLE TO REACHING AN UNDERSTANDING WITH THE IMF. WE BELIEVE THAT THE PRESIDENT'S CURRENT POLICY OF NATIONALISM IS NOT FAVORABLE TO REACHING AN UNDERSTANDING WITH THE IMF.

THE FINAL DECISION HAS THE SUPPORT OF A WIDE SPECTRUM OF THE POLITICAL LEADERSHIP. UNFORTUNATELY, MOST POLITICIANS AND LABOR LEADERS OPPOSE AN AGREEMENT AND THE CHURCH IS SILENT.

27.
~~XX~~ DESPITE THESE PROBLEMS, THE MOMENTUM OF DEMOCRATIZATION IS STRONG, PRINCIPALLY BECAUSE MOST PEOPLE, INCLUDING THE MILITARY, SEE NO VIABLE ALTERNATIVE. BIGNONE'S PERSONAL IDENTIFICATION WITH THE DEMOCRATIZATION GOAL WILL CONTINUE TO BE HIS BEST PROTECTION. BUT IT WILL NOT BE ENOUGH. HE HAS BEEN RELUCTANT TO EXERCISE AUTHORITY AND TO PROJECT AN IMAGE OF BEING IN CONTROL. HE HAS NOT DEMONSTRATED CONSISTENTLY THAT HE IS PREPARED TO MAKE COURAGEOUS STANDS. HOW HE HANDLES THE FOREIGN DEBT, PRESSURE ON WAGES, AND THE NEED TO REMOVE THE MALVINAS FROM BEING THE COMMON DENOMINATOR OF ALL ISSUES, WILL INDICATE WHETHER HE CAN AND IS PREPARED TO USE THE LEVERS OF POWER AND TAKE THE RISKS SUCH EXERCISE OF AUTHORITY ENTAIL FOR A BASICALLY WEAK TRANSITION PRECEDENT. BURNELL