

(17) h



AZA 014/1		
RECEIVED BY REGISTRY NO. 18		
10 SEP 1980		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

BRITISH EMBASSY,
BUENOS AIRES.

A NEW LOOK AT ARGENTINA

SUMMARY

1. The United Kingdom's second largest trading partner in Latin America, Argentina's population compares in size with Benelux, its capital with London, its main productive area with France and its total territories with European NATO. So far however its 20th Century promise has been prejudiced by political irresponsibility (paragraphs 1-4)
2. This background explains why the armed forces can claim that they did have a mandate in 1976 to take over - not as a dictatorship, but as "interventors" - and even for their ruthless suppression of subversion. The problems were real and grave, but, on any moral consideration, the treatment was horrific. Now, however, the continuing intervention is more nannyish than oppressive (paragraphs 5-10)
3. To set Argentina on a course which will not necessitate further military take-overs, the régime (with Dr Martínez de Hoz) has secured two-thirds of an economic miracle, undone some harm without achieving much coherent in social reorganisation and at least provided a pause in political profligacy. The prospects for lasting political renovation are dubious, but currently and for some years Argentina is a very interesting market, as British businessmen are coming to realise (paragraphs 11-14)
4. The British are liked and admired probably more than we deserve. Though the Falkland Islands dispute can cancel this and it would be much better resolved, its continuance is no reason for our holding back (paragraphs 15-18)



BRITISH EMBASSY,
BUENOS AIRES.

014/1

4 September, 1980

The Right Honourable
The Lord Carrington PC KCMG MC MP
etc etc etc

My Lord

A NEW LOOK AT ARGENTINA

Now that you have formed a personal acquaintance with Brazil, Venezuela and Mexico, the first, third and fourth of the United Kingdom's trading partners in Latin America, it is perhaps time for me to draw attention to the second among them - and perhaps the most difficult - the Argentine Republic. This is not a First Impressions despatch - since this is my third sojourn on the banks of the River Plate in a little over thirty years - but rather an attempt to distil, after six months back in Buenos Aires and with a view to the imminent visit here by Mr Peter Walker, the essentials for an appreciation of our relations with Argentina.

2. The basic data on this country are comparatively simple, but striking. A population broadly comparable with that of Benelux - or even more with Italy north of Florence - is concentrated in and around the province of Buenos Aires, on a superbly fertile plain about the size of France, or in a huge, rather Milan-like, capital city, which is about the size of

/Greater



Greater London. Outside this area of concentration there is an enormous land mass extending from tropical forest to the edges of the Antarctic and comparable in area to the whole European territory of NATO. These great expanses are, of necessity, lightly populated and include large stretches of the Andes (and its highest mountain), extensive deserts and much territory more suitable for sheep than for men. But - unlike, say, Brazil - there is no huge slice of Argentina which must be considered outside the money economy; much of Argentina's actual wealth and even more of its potential wealth derive from some of these outer areas. The vineyards of the cordilleras make Argentina the third or fourth wine producer in the world; mineral resources which have been largely neglected since colonial time could well rival Chile's; existing hydro-electric and fossil fuel energy production make Argentina very nearly self-sufficient already, and there are strong chances that she will soon move into surplus. She also has both nuclear knowhow and uranium resources sufficient to make her a front runner among the non NPT states.

3. A country so blessed by nature should - one might imagine - have forged even further ahead than, say, Canada and Australia (which have broadly comparable backgrounds) in the forcing house conditions of the late nineteenth and twentieth centuries. In fact, Argentina seemed all set to do so. Between 1872 and 1915 (when railways, refrigeration and the growth of

/mass



mass markets for exported cereals opened up revolutionary opportunities for expansion) the land in working use in Argentina rose from some half million hectares to over twenty-four million. During the same period the population more or less quadrupled with an almost wholly European immigration which makes the modern social background of nearly all Argentines very similar to that of the inhabitants of Chicago or Detroit.

4. What led Argentina to trail behind - and it is generally acknowledged that, since 1914, she has fallen badly back in the race with comparable new and expanding countries, even including Brazil - has been a recurrent and singularly intractable political irresponsibility. The spendthrift, self-destructive 'populism' of the Peróns is too well known to require new description, but the roots lay deeper. The name of Radical could cover a Clemenceau or a Lloyd George in Europe, but the Argentine Radicals who secured power during the First World War were already mere vote cadgers with hand-outs of subsidised "Radical meat" and "Radical bread". Indeed the enormous and growing earnings of this flourishing agricultural economy were already being frittered away on political pork barrels, even before the Radicals replaced the late nineteenth century oligarchs. In 1899 the then Minister of Finance pointed out that, whereas the public service cost the British 8s and 2d /a head,



a head, the Swiss a mere 4s and 9d and even the bureaucratic Hapsburg Austrians only 11s and 2d, the Argentines were paying no less than £1 and 4s!

5. I invoke these historical considerations because they seem to me necessary knowledge for an understanding of what is going on now. This is, essentially, that Argentina has a government of military administrators, exercising a fairly rigid economic and social discipline designed to set the country back on its feet and to catch up lost ground in economic development. These military administrators have meanwhile, over the last four or five years, carried out an admittedly very ruthless purge of what they describe as "subversive elements", during the course of which perhaps as many as 15,000 people (more likely, in my view 8 to 10,000) have disappeared without trace. Each of the above phrases is carefully worded and requires exposition.

6. First, the present government of Argentina is not a military dictatorship, but a government of military administrators. Where, under the still operative constitution of 1853 there should be elected civilians, there are serving or retired officers appointed by agreement between the commanders and staffs of the three armed services. In some cases, notably in Justice, Education and the whole management of the Economy, those appointed are civilians, but their method of appointment is the

/same



same. Legislative and deliberative bodies simply have their doors locked for the duration. The armed services claim with considerable justification, that they had an unmistakable popular mandate in 1976 to take on this not altogether welcome task - because the economy was on the brink of bankruptcy and yet, contrary to the clear wishes of a large proportion of the general public, a corrupt and intimidated electoral system was manifestly unable to dismiss the hopelessly incompetent administration of Isabella Perón. This role of the armed services as "interventor" - comparable in some ways to successive Indian governments' take-over of selected provincial administrations in India - has a tradition behind it in this part of Latin America. The local view is that sometimes it is morally and politically justified, sometimes it is not. In 1976 most Argentines, I think, would have accepted that it was (as opposed to earlier "interventions" in the 1960s). But it is also a local tradition that the moral and political justification wears out with time. The question is whether the military hang on longer than the job they had to do requires.

7. Here, as my second point, it must be realised that the current "intervention" was designed to do more than recuperate the damage caused by Isabelita's bankrupting administration. Its aims (as they have been gropingly formulated by successive, not over-intellectual commanders of the three forces acting as a Junta) have, in effect, been to restore law and order by the
/suppression



suppression of urban and rural guerillas, to get the economy back on its feet and then to evolve a new system of government which will neither succumb again to the vices of populism nor make further recurrent military interventions necessary.

8. The suppression of "subversion" is now, so the military themselves assert, a task virtually accomplished. They are prepared to admit that mistakes were made and that some wholly innocent people suffered. They are also prepared to admit, in general terms, that excesses were in some cases committed. What they will not concede is that the innocent were anything but a small regrettable minority; that outsiders should have a say in deciding what was unavoidable and what was excessive; or that the job could either have been left undone or done less terribly. On a purely practical level, it can be admitted that the problems they faced were ten times that of contemporary Italy - with murders, kidnappings and bombings not every week, but every night, with pitched rural guerilla battles and with all normal instruments of justice and law paralysed by intimidation and assassination. It can also be admitted that Argentina is now, for most people, a country unusually safe at night as well as in the day. But on any moral consideration, the methods employed were horrific. The job was grossly overdone. The scars left not only on the victims but the perpetrators will mar at least a generation; and suppression

/without



without reconciliation - if these Bader-Meinhof-type revolutionaries can ever be reconciled - must surely have touched the symptoms more than the disease.

9. If this were all their mandate, the military should now be back in their barracks. There are many politicians - in this country which produces more politicians than priests - who vociferously proclaim no less. But there is a delicate balance in these things and so far, I would judge, most Argentines would prefer the military stayed on a little longer, rather than be thrown back into the arms of those who failed so abysmally between 1973 and 1976. In practice, however, they are not being given a choice. The military leaders have made it quite clear that at least another four years must be allowed for them to finish the tasks they have undertaken. If the phrase "Nanny knows best" is what springs to mind, it illuminates a less than frivolous observation - that the characteristic of the military régime which the Argentines look like living under for these next four years or more is less terrifying, or oppressive, or even corrupt and exploiting, than stultifyingly regimented and officious in a nannyish way.

10. What the military are now attempting is, in effect, to turn naughty children into little gentlemen. This is partly an economic problem - to brace up Argentine industry and services to face unprotected the rigours of free foreign competition. It

/is



is partly a social problem - to get away from a tradition of hand-outs, staff-padding, corruption and sinecures. It is partly political - to reach beyond rabble-rousing, vote-cadging and influence by patronage to a stable and consistent pursuit of statesmanlike policies. It is only necessary to set their objectives out to see how unlikely the third is to be achieved and how dependent the first two will be, in the longer term, on this happening.

11. For their economic objectives, the present military régime have had the services of (and have given the priceless gift of security in office to) an unusual and outstanding man. Dr José Martínez de Hoz has been Minister of Economy for an almost unprecedented four and a half years and in them he has effected two-thirds of an economic miracle. The missing third is a reduction of inflation and interest rates to levels where Argentine investors will turn from speculating on thirty day call to investment in equities - and where Argentine entrepreneurs will use this equity to modernise and expand. If he or his successors after next March do not achieve this, then the vicious circle of inflation, non-competitiveness, protection and more inflation is only too likely to recur.

12. The social policy of the present Argentine military administration has never been so clearly thought out nor so consistently applied as its economic policy. They have been saved from consequent embarrassment very largely by late

/twentieth



twentieth century Argentina's singular lack of the commonest social ills. Almost without any of the poverty-stricken Amerindian population sump, which afflicts most Latin American states, they have a low birthrate and a high proportion of educated working-age adults in the population. At the same time, the economic team's very failure to cut much fat out of the state enterprises and government machine has saved them, against most expectations, from significant unemployment problems. Indexing has cushioned (though not eliminated) the effects of inflation on real wages. There is notably little real regret amongst organised labour that the mafia-type unions sponsored by the Peróns have got their come-uppance from the military. Even the intelligentsia is socially apathetic. With bullying under the Peróns and the anti-subversion purges of 1975-8, the Universities in Argentina are content to be cautiously bien pensants, while they pick up the broken threads of academic work.

13. In sum, this is a country of great economic weight even now and of far greater economic potential, currently subjected to a rather paternalistic discipline by its well-intentioned but somewhat limited military governors. As Borges remarked to Paul Theroux "Videla is a well-meaning military man. He is not very bright, but at least he is a gentleman". Whether this discipline will eventually bring the Argentines to be less incompetently profligate with the bounty which nature has showered on them is -

/to say



to say the least - open to doubt. But the proof of this pudding is still some years ahead.

14. Meanwhile, this is obviously an interesting country to do business with. It has a very considerable backlog of development work, in infrastructure and modernisation, to make up. The programme for electricity alone envisages expenditure of US \$ 44,400 million before 1995. It is pursuing a policy of open competition, tariff reduction and free transfer of money which offers unusually favourable openings for foreign enterprise. It has built up healthy reserves and can afford to spend. It has a large, heavily urbanised and high spending middle class with close loyalties of sentiment and blood to Europe rather than the United States. Its rapid approach to self-sufficiency in energy seems likely to ensure its continuance in a fairly select élite. I am glad to say that these opportunities are now being appreciated by a growing number of British businessmen. British exports to Argentina were, in the first six months of this year, fifty per cent up on the same months of 1979. Missions and individual visitors have proliferated and the Embassy is busy, with a wide variety of activities which have put the United Kingdom back very much in the public eye - to a general welcome.

15. In fact, most Argentines like and admire "the British" rather more than we probably deserve. Although colonised in the sixteenth century and achieving independence by degrees between

/1810



1810 and 1816, the Argentina of today is the Argentina of that great expansion I mentioned earlier, the Argentina of the railways. The British contribution to the quadrupling of the country's population during that era was comparatively small - a hundred or so thousand compared with millions from Italy, the Basque areas of Spain and France, Spanish Galicia, Germany. But the mark left was out of all proportion - perhaps partly because of the others' in-built resistance to the "Yanqui" influence which spread so much more readily north of the Amazon. It was a typical fault in United States' understanding of Argentina that my United States' colleague when I arrived here was a Mexican immigrant to Arizona who spoke fluent Spanish with a chicano accent.

16. It might be thought that our dispute with Argentina over the Falkland Islands would be enough to make us the least popular of foreigners in this peculiarly jingoist country. I fear this can always be true, but if, in fact, it is not always true, this is because of two particularly Argentine factors.

17. In the first place the lost Malvinas are not just an item on the foreign policy agenda for Argentines, unofficial or official. They are part of the carefully fostered folk legend of a people of mixed immigration, which (as I have already observed) is barely yet cemented into a national whole. Just as British rugby football hooligans can misjudge (and this month have misjudged) the totemistic reactions of the average Argentine

/to even



to even minor disrespect for the flag he has learnt to salute each day at school, so is it difficult to understand the sense of irremediable loss which is inculcated into the children of single generation immigrants - that Argentina is only the remnant of the Viceroyalty of the River Plate. They have lost Bolivia, Paraguay and Uruguay; San Martín's dream of unity with Chile and Peru will never be realised. The sense of loss is a permanent condition into which deprivation of the Falklands is an additional source of anguish, but not of shock. In fact Argentina had been evicted from them long before the first British railway line was laid.

18. In the second place, it must be admitted, the Argentines are a captious, arrogant and difficult lot. Less simpatico than any of their neighbours, who all find them difficult to live with, they rather enjoy having something to complain of and they appreciate an old sparring partner. Meanwhile, so long as they believe that they are not being made fools of - and so long as exigencies of populist politics do not drive them to make fools of themselves - they are prepared to play the matter long. It would be much better if the Falkland Island dispute could be resolved, but its continuance is no reason for holding back from a re-entry into this, once preeminently British, market.

/I am



19. I am sending copies of this despatch to Her Majesty's Representatives in Santiago, Asunción, Montevideo, Brasilia, Caracas, Mexico City and Washington and to the Governor of the Falkland Islands.

I am

My Lord

Yours faithfully

A handwritten signature in cursive script, appearing to read 'Anthony Williams', with a long horizontal flourish extending to the right.

Anthony Williams