(U) This IR forwards two Embassy Buenos Aires Memorandums of Conversation concerning the Montonero terrorist group.
MEMORANDUM OF CONVERSATION

DATE: December 7, 1978

PARTICIPANTS: A journalist and APAC John Corr

SUBJECT: The Beagle Situation; Returning Montoneros

PLACE: U. S. Embassy, Buenos Aires

A well-connected journalist (name available on request) passed the following information:

1. He received a Montonero communication from Mexico City that indicated that the Montoneros thought war inevitable over the Beagle Channel conflict and were seeking to exploit the war situation. In addition, a non-government reliable source told him that some 20 high-ranking Montoneros had recently re-entered Argentina and were lying low, apparently waiting for an opportunity to take advantage of military distraction over the Beagle dispute.

2. An airport worker told him that a South Korean aircraft has been daily unloading munitions at Ezeiza.

3. Officers close to General Menendez have said the General is worried about the lack of sufficiently trained Argentine mountain troops.

4. The military have established an "actos de presencia" plan that would involve landing troops on the Beagle Channel area islands. Some hardliners would have liked to land troops before the December 12 foreign ministers meeting so as to make it impossible for Pinochet to negotiate.

5. At the last generals meeting, Harguindeguy roundly attacked Videla's decision to attend the politicians supper at the Molino.

6. Within the cabinet, only Videla and Martinez de Hoz are against war with Chile.
7. Foreign Minister Pastor is being ridiculed around the city as the President's inept brother-in-law. He is being sued for fraud in a civil case. It is believed by many that he eventually will hurt Videla because of his inexperience and lack of competence.
MEMORANDUM OF CONVERSATION

DATE: December 18, 1978

PARTICIPANTS: Mario Sekiguchi, a Director of the Mercado-Cronista Comercial group and AFAO John Corr

SUBJECT: Returning Montoneros and Government Economic Policy

PLACE: American Club, Buenos Aires

He said:

1. An officer attached to the First Corps told him that "more than 10" Montoneros had within the last month returned to Argentina via Bolivia. The Argentine military believe that the present Bolivian government permitted the Montoneros to pass through their country because of that government's left-wing inclinations. The Argentine military expect more illegal entries from Bolivia. The "more than 10" Montoneros are organized into three cells, according to Sekiguchi's military contact.

2. Next year, the Argentine Economy Ministry will cease buying dollars and allow the dollar to fall to a "free market" rate. (When I asked how exporters would react, Sekiguchi replied: "That's the problem!") The Economy Ministry expects negative interest rates to force savers to spend their money and thus stimulate the economy in the next few months.