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SECT 01 OF 32667

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SECT 1-2 OF 2

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FM (b)(3):10 USC 424

TO RUEKJCS/DIA WASHDC (b)(3):10 USC 424

INFO RUEAIIA/CIA WASHDC/OSI/PSTD/CSB

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SUBJ: THIS IS IR NO (b)(3):10 USC 424

THIS IS AN INFO REPORT, NOT FINALLY EVALUATED INTEL

1. COUNTRY: ARGENTINA (AR)
2. REPORT NUMBER: (b)(3):10 USC 424
3. TITLE: MILITARY EQUIPMENT/MILITARY POLITICAL AFFAIRS - HUMAN RIGHTS POLICY LEADS TO EUROPEAN ARMS SALES BONANZA IN ARGENTINA
4. PROJECT NUMBER: AB
5. DATE OF INFORMATION: 791015
6. DATE OF REPORT: 791018

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7. DATE AND PLACE OF ACQUISITION: 791015, BUENOS AIRES, ARGENTINA

8. REFERENCE: (b)(3):10 USC 424

9. ASSESSMENT: (b)(3):10 USC 424

10. ORIGINATOR:

11. REQUEST EVALUATION

12. PREPARING OFFICER:

(b)(3):10 USC 424

13. APPROVING AUTHORITY:

14. SOURCE:

15. SPECIAL INSTRUCTIONS: DIRC-NO; NOFORN CAVEAT APPLIED TO PREVENT EMBARRASSMENT TO HOST GOVERNMENT

16. (U) SUMMARY: THIS REPORT RELATES THE VIEWS OF AN ARGENTINE BUSINESSMAN ON RECENT EUROPEAN SALES TO ARGENTINA AND THE RESULTANT DECLINE IN US INFLUENCE. SOURCE IS EXTREMELY WELL CONNECTED WITH MILITARY AND CIVILIAN ORGANIZATIONS, AND, IS IN A POSITION TO ANALYZE THE EFFECTS OF US ARMS SALES RESTRICTIONS. HE POINTS TO THE LONG-RANGE DISADVANTAGES OF THE HUMPHREY-KENNEDY AMENDMENT, WHICH ARE ALREADY BEING FELT IN ARGENTINA.

22. ~~(S-NOFORN)~~ DETAILS:

A. ~~(S-NOFORN)~~ SOURCE (b)(3):10 USC 424 HAD A WIDE-RANGING CONVERSATION AT LUNCH ON 791015, ON THE SUBJECT OF AIR DEFENSE EQUIPMENT. SOURCE TALKED ABOUT THE NEW AIR TRAFFIC CONTROL SYSTEM WHICH THE AIR FORCE HAS BEEN PLANNING. HE CLAIMS THAT THE PROJECT WILL BE THE SINGLE BIGGEST AIR FORCE PURCHASE IN SEVERAL YEARS, REPRESENTING MANY MILLIONS OF DOLLARS. HE DESCRIBED THE SYSTEM AS A TOTALLY INTEGRATED CONTROL NET THROUGHOUT THE COUNTRY, WITH ASSOCIATED RADAR DISHES, COMMUNICATIONS FACILITIES, AND COMPUTER LINKS. THE ONLY TWO SIGNIFICANT COMPETITORS SO FAR FOR THE SYSTEM ARE THOMPSON (FRANCE) AND SYSTEMS DEVELOPMENT CORPORATION (SDC-US). SOURCE FELT THAT THE USG SHOULD PERMIT SDC TO BID ON THE PROJECT OR THE FRENCH COMPANY WILL BE HANDED THE CONTRACT ON A SILVER PLATTER. HE IS CONVINCED THAT SDC COULD PROVIDE A MORE RELIABLE SYSTEM THAN THOMPSON, SINCE HE IS FAMILIAR WITH BOTH COMPANIES AND THEIR PRODUCTS. HE IS ALSO CONVINCED THAT THE ARGENTINE AIR FORCE WOULD PREFER US EQUIPMENT IN THIS CASE, BUT WILL NOT DELAY THE PURCHASE IF THE USG PREVENTS SDC FROM BIDDING (CITE 6 804 0098 79).

B. ~~(S-NOFORN)~~ SOURCE THEN POINTED OUT THE STRIKING SUCCESSES OF THE WEST GERMANS IN RECENT MONTHS IN PENETRATING THE ARGENTINE MARKET. THE ARGENTINE NAVY'S FRONT-LINE FRIGATES ARE NOW GERMAN, THE ARMY'S FRONT-LINE TANK (TAM) IS BASICALLY GERMAN,

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THE AIR FORCE'S NEW JET TRAINER WILL BE GERMAN, THE ATUCHA II NUCLEAR REACTOR WILL BE GERMAN, AND THE ARGENTINE COMMUNICATIONS AND ELECTRONIC SYSTEMS ARE HEAVILY DEPENDENT UPON THE SIEMENS CORPORATION FROM GERMANY. THE US, HE SAID, HAS FOOLISHLY ABDICATED IT'S POSITION IN ALL OF THESE AREAS, AND GERMANY HAS GAINED, AS A RESULT, AN INSURMOUNTABLE POSITION OF INFLUENCE WHICH WILL LAST FOR DECADES.

C. ~~(S/NOFORN)~~ (b)(3):10 USC 424 THE STATUS OF ARMS SALES BY THE USSR. SOURCE NOTED THAT SEVERAL PURCHASING COMMISSIONS HAD MADE VISITS TO RUSSIA TO INVESTIGATE ARMS SALES POTENTIAL, BUT THAT NO EQUIPMENT HAD SO FAR BEEN BOUGHT. HE WAS CONCERNED, HOWEVER, THAT SUCH FEELERS WERE EVEN TAKING PLACE HE WAS EVEN MORE CONCERNED, HOWEVER, ABOUT THE RECENT VISIT TO ARGENTINA BY THE DELEGATES FROM THE SOVIET ARMY. HE NOTED THAT THE VISIT HAD BEEN SUPPORTED AND APPROVED AT "THE HIGHEST LEVELS" OF THE ARGENTINE GOVERNMENT. HE FELT THAT ARGENTINA WAS SETTING A DANGEROUS PRECEDENT, ALTHOUGH NOTING CONCRETE RESULTED FROM THE VISIT. THE ONLY SIGNIFICANT SOVIET AGREEMENT WITH ARGENTINA AT THIS POINT IS IN THE AREA OF HYDRO-ELECTRIC ENERGY DEVELOPMENT, BUT RUSSIAN ATTEMPTS TO SELL ARMS TO ARGENTINA ARE CONTINUING.

~~(S/NOFORN)~~ COMMENTS:

A. ~~(S/NOFORN)~~ THESE OBSERVATIONS BY SOURCE ARE TYPICAL OF THE CONCERN (b)(3):10 USC 424 VOICED BY NUMEROUS CONTACTS. ON BASIC ISSUE, (b)(3):10 USC 424 IS WHETHER OR NOT THE HUMAN RIGHTS POLICY, AS APPLIED TO ARGENTINA, HAS BEEN OF LONG-RANGE BENEFIT IN TERMS OF OUR MILITARY RELATIONSHIPS.

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IT COULD PERHAPS BE ARGUED THAT US PRES-
SURES HAVE BEEN THE KEY FACTOR IN PUSHING THE JUNTA TOWARD
A RETURN TO NORMALCY. ON THIS, RO IS NOT CONVINCED, SINCE
THE JUNTA HAS CONSISTENTLY STATED SINCE 7603 THAT IT WAS
COMMITTED TO A RETURN TO DEMOCRACY, REGARDLESS OF US OPINION
ON THE MATTER. IN PUSHING FOR A MORE RAPID RETURN TO RULE OF
LAW, ACCOUNTING FOR PRISONERS, ETC, AND BY USING ARMS SALES
AS A LEVER, IT NOW APPEARS THAT US POLICIES HAVE SUCCEEDED
NOT ONLY IN ALIENATING THE ARGENTINE MILITARY BUT ALSO IN
CREATING A HUGE INFLUENCE VACUUM WHICH OTHER COUNTRIES HAVE
BEEN QUICK TO FILL. MOREOVER, THE LOSS OF US INFLUENCE
AND PRESTIGE CANNOT BE REGAINED OVERNIGHT. AND INDEPENDENTLY OF

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US PRESSURES TOWARD ARGENTINA, THE COUNTRY IS SLOWLY RECOVERING FROM ITS WAR AGAINST THE TERRORIST GUERRILLAS. ITS COURTS ARE BEING REJUVENATED, THE MAJORITY OF ITS CITIZENS ARE SAFE, ITS POLITICAL INSTITUTIONS ARE BEING WORKED OUT FOR THE FUTURE, AND THE THREAT OF A COMMUNIST TAKEOVER HAS BEEN ELIMINATED FOR THE PRESENT. THIS IS NOT TO SAY THAT THE PICTURE IS NECESSARILY BRIGHT FOR THE NEAR-TERM. ON THE CONTRARY, THE COUNTRY'S LEADERSHIP IS STILL GRAPPLING WITH SEVERE INTERNAL ECONOMIC PROBLEMS, LABOR UNION DEMANDS, A DECLINE IN THE EDUCATIONAL SYSTEM, OBSOLESCENCE IN PUBLIC TRANSPORT AND COMMUNICATIONS, AND SO ON. BUT, AS SOURCE CORRECTLY POINTS OUT, US RESTRICTIVE POLICIES TOWARD ARGENTINA HAVE BEEN SELF-DEFEATING. OUR TRADITIONALLY STRONG INFLUENCE AMONG THE ARGENTINE ARMED FORCES HAS NOW DIMINISHED TO A DANGEROUS LEVEL, YET THE ARGENTINE REPUBLIC CONTINUES ITS FORWARD MARCH, RECEIVING HELP ALONG THE WAY FROM OTHER COUNTRIES WHICH PERHAPS CAN SEE MORE CLEARLY THE WORTHWHILE OBJECTIVES OF THE PRESENT GOVERNMENT. WHEN THE RECOVERY HAS BEEN COMPLETED, AS NO IS CONVINCED IT WILL BE, ARGENTINA WILL UNDOUBTEDLY LOOK BACK TO CONSIDER WHICH COUNTRIES ASSISTED THEM IN THEIR EFFORTS, AND WHICH HINDERED IT.

B.

Sec. 3.3(b) (8)

EMBASSY COMMENTS: ARGUMENTS PRESENTED HEREIN ARE OFTEN HEARD IN SOME SECTORS, BUT DO NOT REFLECT A CONSENSUS OF EMBASSY'S COUNTRY TEAM.

~~REVW: 18 OCT 1999~~

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