

FALKLAND ISLANDS GENERAL

PS (2)
 PS/LADY YOUNG
 PS/MR RENTON
 PS/MR RIFKIND
 PS/PUS
~~MR DEAK THOMAS MR JENKINS~~
 LT FREELAND
 SIR W HARDING
 MR GOODALL
 MR O'NEILL
 SIR C TICKELL
 MR D C THOMAS
 MR WESTON
 MR ~~BULLINGTON~~
 ED/PUSD
 ED/SAMD
 ED/FID
 ED/NEWS DEPT
 ED/EED
 ED/ECD (E)
 ED/UND

PS/NO 10 DOWNING ST
 PS/S OF S FOR DEFENCE
 MR RD NICHOLLS, AUSD STAFF, MOD
 NH

PS/CHANCELLOR)
 MISS M E CUND) TREASURY
 MR LITTLER)

SIR R ARMSTRONG)
 MR ~~A D S GOOBAIL~~) CABINET
 DIO *Carledge*) OFFICE

MR POWER, SAD, ODA

MR A FORTNAM IAT/D. TRANSPORT

RESIDENT CLERK

(2)

IMMEDIATE

CONFIDENTIAL

(FM BERNE 251540Z)

FM BISBA

TO IMMEDIATE FCO

TELNO 633 OF 24 SEPTEMBER 1984

INFO PRIORITY MOD (SIC A3A), CBFFI BANK OF ENGLAND ASUNCION BRASILIA
 CARACAS MEXICO CITY MONTEVIDEO SANTIAGO UKMIS NEW YORK
 WASHINGTON PORT STANLEY

ASSESSMENT

SUMMARY

1. INCREASING EVIDENCE OF GOVERNMENT WEAKNESS AND LOSS OF CONTROL NOT ONLY ECONOMIC BUT POLITICAL AS STRIKES CONTINUE AND THE RULING PARTY APPEARS MORE DIVIDED. THIS IS REFLECTED IN CONTINUING DIFFICULTIES OVER THE BEAGLE, THE IMF AND THE EXTERNAL DEBT WITH SOME, PERHAPS MISLEADING SUGGESTIONS OF INCIPIENT RETHINKING OVER THE FALKLANDS, PROGRESS ON WHICH WILL DEPEND ON THE BEAGLE.

DETAIL

2. POLLS SHOW ALFONSIN MORE POPULAR THAN EVER, THE GOVERNMENT MUCH LESS. ALFONSIN'S GOVERNMENT HAS BEEN POPULIST AND, PARTICULARLY IN THE ECONOMIC FIELD, INEFFECTIVE. HIS PRINCIPAL AIM IS TO MAINTAIN DEMOCRACY, BUT HE FACES ENORMOUS INTERNAL PROBLEMS WITH ONLY AN INEXPERIENCED AND MEDIOCRE TEAM WHOSE LEARNING PERIOD IS PROVING LONG AND COSTLY. THE GOVERNMENT LOOKS WEAK.

3. THE MILITARY JRE STILL QUIET, DIVIDED HORIZONTALLY INTO THREE GROUPS : THE GENERALS, BROADLY RECONCILED TO THEIR LOT, THE MIDDLE RANKING OFFICERS, MAINLY DISCONTENTED, AND THE JUNIOR OFFICERS WHO ARE TOO YOUNG AND INEXPERIENCED TO HAVE MUCH INFLUENCE. THE MIDDLE RANKERS ARE STILL CLEARLY DANGEROUS, PARTICULARLY SINCE THEY ARE THREATENED PARTICULARLY BY THE NAMING IN THE SABATO DISAPPEARED PERSONS COMMISSION REPORT COMPLETED ON 20 SEPTEMBER. BUT FEW REALLY EXPECT THE NEW DEMOCRACY, NO MATTER HOW BAD, TO BE INTERRUPTED YET. FAVOURABLE COMPARISONS ARE FREQUENTLY MADE WITH

INTERRUPTED YET. FAVOURABLE COMPARISONS ARE FREQUENTLY MADE WITH MARCH 1976 WHEN ALL RECOGNISE THE MILITARY WERE NOT AS DISCREDITED AND DIS-SPIRITED AS THEY ARE NOW.

4. THE PERONISTS ARE STILL DIVIDED, WITH NO SIGN OF AN EFFECTIVE ATTEMPT AT REUNIFICATION ALTHOUGH RIGHT-WING HERMINIO IGLESIAS HAS BEEN FLIRTING RECENTLY WITH EX-PRESIDENT FRONDISI AND THE DEVELOPMENTALISTS. THIS SEEMS UNLIKELY TO PROGRESS FAR. THE RADICALS ARE ALSO DIVIDED BETWEEN LEFT AND RIGHT INCLINED (RENEWAL AND CHANGE AND NATIONAL LINE RESPECTIVELY). THIS DIVISION IS THE ESSENCE OF THE ALFONSIN GOVERNMENT'S WEAKNESS IN THE FACE OF MANY PROBLEMS. IT IS TAKING TIME FOR THE REALITIES OF OFFICE TO WEAN HIM AWAY FROM HIS OWN LEFTWARD INCLINATIONS. BUT ALSOGARAY'S CENTRE RIGHT UCD IS GATHERING SUPPORT AND EXPECTED TO INCREASE ITS CONGRESSIONAL REPRESENTATION NEXT YEAR (FROM TWO SEATS) WITH THE RADICALS AND PERONISTS LOSING OUT. THE FAR LEFT MAY ALSO GAIN marginally.

5. IN FOREIGN AFFAIRS, SETTLEMENT OF THE DEBT DEPENDS ON AGREEMENT WITH THE IMF, YET AGAIN REPORTED CLOSE, BUT CERTAINLY NOT YET CLINCHED. ONE RECENT REPORT IS THAT THE DIFFERENCE IS DOWN TO THE RATE OVER LIBOR, BUT PAY EXCHANGE POLICIES MUST ALSO CONTINUE TO BE DIFFICULT. THE BEAGLE AFFAIR IS DRAGGING, WITH THE CHILEANS REPORTED TOUGHENING THEIR POSITION. DIEGO RAMIREZ ISLANDS MAY BE A NEW STUMBLING BLOCK AND HOPES FOR EARLY ACCORD BE FRUSTRATED. ALFONSIN WAS CERTAINLY PREMATURE AND UNWISE IN ANNOUNCING A PLEBISCITE. PROGRESS OVER THE FALKLANDS AND RELATIONS WITH BRITAIN ARE EXPECTED TO DEPEND LARGELY ON ADVANCE ON THE BEAGLE, WHICH INFORMED OBSERVERS AGREE MUST COME FIRST. THERE HAVE BEEN RECENT SIGNS OF AN ARGENTINE WISH THAT THE UNGA SLOGGING MATCH SHOULD NOT EXCLUDE RESUMED DILATERAL CONTACTS, BUT THERE IS SO FAR NO EVIDENCE OF A CHANGE IN THE BASIC POSITION OVER SOVEREIGNTY.

6. THE ECONOMIC SITUATION IS MUCH AS BEFORE WITH NO PAUSE IN THE INFLATIONARY SPIRAL DESPITE THE RECENT TOUGHER ORTHODOX MEASURES OF MONETARY CONTROL WHICH ARE SQUEEZING INDUSTRIALISTS INTO AN INCREASING DISREGARD OF THE TOUGHER PRICE CONTROLS. AGREEMENT WITH THE IMF REQUIRING EVEN STRICTER MEASURES COULD TRIGGER A CHANGE IN THE ECONOMIC PORTFOLIO. INTERIOR MINISTER TROCCHI (NATIONAL LINE) IS THE CURRENT FAVOURITE TO REPLACE GRINSPUN AND SAID AUTHORITATIVELY TO WANT THE JOB SINCE HE IS A MORE ORTHODOX ECONOMIST THAN GRINSPUN, FEELS HE HAS NOT BEEN TOO SUCCESSFUL OVER THE SOCIAL CONTRACT NEGOTIATIONS AT THE MINISTRY OF THE INTERIOR AND COULD PERHAPS USHER IN A NEW ERA OF ECONOMIC ORTHODOXY WITH SOME AUSTERITY AND SACRIFICE.

CONCLUSION

7. SPRING HAS BROUGHT LITTLE CHEER FOR ARGENTINES: ALFONSIN AND HIS RADICALS ARE CU EARLY NOT UP EVEN TO STARTING TO SOLVE THE COUNTRY'S ECONOMIC PROBLEMS. BUT THEY ARE THE BEST AVAILABLE AND THE GLIMMER ON THE ARGENTINE HORIZON MAY BE THAT THERE IS STILL WIDESPREAD ENTHUSIASM FOR DEMOCRACY AND A DETERMINATION AMONGST ALL CLASSES THAT IT SHALL SURVIVE NO MATTER HOW DIFFICULT THE GOING MAY GET, SINCE THERE IS NO LONGER A MILITARY ALTERNATIVE. ARGENTINE DEMOCRACY HAS SURVIVED SO FAR: PERHAPS NO MORE COULD BE EXPECTED OF AN UNTRIED GOVERNMENT TEAM IN THE FACE OF SUCH VAST PROBLEMS

JOY
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