

[362/02/20]

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NATIONAL INTELLIGENCE ESTIMATE

Prospects for Argentina

~~Secret~~

NIE 91-74

31 January 1974

No 1

DECLASSIFIED

E.O. 13526, Section 3.5

NLN 03-63/7588, per sec. 3.3(b)(1) & 3.5(c); ltr. 8/17/11

By: MLH, NARA; Date: 4/17/2012

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The following intelligence organizations participated in the preparation of the estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and Treasury, and the National Security Agency.

Concurring:

The Deputy Director of Central Intelligence representing the Central Intelligence Agency

The Director of Intelligence and Research representing the Department of State

The Director, Defense Intelligence Agency

The Director, National Security Agency

The Assistant General Manager for National Security representing the Atomic Energy Commission

The Special Assistant to the Secretary of the Treasury representing the Department of the Treasury

Abstaining:

The Assistant Director, Federal Bureau of Investigation, the subject being outside of his jurisdiction.

ALSO PARTICIPATING:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force.

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PROSPECTS FOR ARGENTINA

PRÉCIS

Perón has thus far held to a moderate course in both domestic and international affairs, but if he lives this is likely (60-80 percent chance) to change over time.

- Perón will not be able to maintain discipline or unity within his disparate constituency.
- His economic policies have conflicting objectives and are unlikely to produce the desired results, despite some initial successes.
- He does not have the assets to win in competition with Brazil for regional preeminence or to make a successful bid for leadership in the “Third World.”
- In frustration, Perón is likely to shift to the demagogic “solutions” reminiscent of his first presidency and to tactics which will exacerbate the divisions within Argentina.
- Domestic political considerations, his own pretensions, and his basic antipathy to the US will almost inevitably introduce frictions into US-Argentine relations.

Personal and financial risk to US investors in Argentina will remain high over the foreseeable future.

- The terrorist problem is not likely to be brought under control any time soon and security hazards for foreign businessmen will continue.
- Perón's somewhat xenophobic nationalism, the conflict between his populism and the requirements of Argentine development, and his overall inconsistency present the prospect that the government will turn anti-business despite Perón's desire for capital investment.

The state of Perón's health makes it very unlikely that he will survive his term. Should he die in office, no successor will be able to hold his coalition together.

- As things now stand, chances are better than even that there would be a constitutional transfer of power to the vice president.
- The odds are lower, but still substantial, for an unconstitutional transfer of power to an interim government dominated or strongly influenced by the military.
- Less likely, but still a possibility, is a temporary period of turbulence, political confusion, and probably violence followed by a government that the military would have the primary role in establishing.

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The Central Intelligence Agency and the Department of State, with the Assistant Chief of Staff for Intelligence, Department of the Army sharing their view, do not agree with the judgments that Perón is *likely* over time "to shift to the demagogic 'solutions' reminiscent of his first presidency," or that he "will almost inevitably introduce frictions into US-Argentine relations." While such outcomes are *possible*, Perón's record since his return to Argentina last June does not support the judgments that they are "likely" or "almost inevitable." The Central Intelligence Agency and the Department of State estimate that the emerging national consensus being fostered by Perón's essentially moderate policies, reinforced by the general belief in Argentina that all alternatives to him are unworkable, gives him a slightly better than even chance of holding to his present course. The Assistant Chief of Staff for Intelligence, Department of the Army believes that the odds are only about 40 percent that he will be able to do so.

THE ESTIMATE

1. Now that he has returned to power, Juan Perón's first tasks are to restore domestic prosperity and to heal bitter political and social divisions. This will be no easy task for an ailing man who is nearly 80. Straddling



President Juan Domingo Perón

the rifts within his own fractionalized entourage, containing the terrorist problem, developing a sensible economic program, and creating an effective political consensus will severely test Perón's political talents and his physical energies.

2. Argentina is asking of the aging Perón what no leader has achieved in 40 years: to make the country fulfill its potential. Argentines know that their country, with its riches in natural and human resources, should be booming industrially and that its vast fertile land should be a major source of food for the world. Instead, recurring political crises and economic mismanagement have slowed its development, though even these failures have not substantially altered the comfortable life style available to most of its citizens.

I. POLITICAL STRENGTHS AND WEAKNESSES

3. Perón begins with more political assets than any government in recent Argentine history. His support is broader than any leader has known since his heyday a generation ago. Throughout the nation's history the popula-

tion has denied broad support to elected leaders and offered resistance to authoritarian strong men. This has contributed to the lag in the development of political institutions. National chagrin at failure to be great has replaced the pride and exuberance of the boom years early in the century. Argentina's current gamble that Perón—despite the legacy of corruption and bankruptcy left from his first reign—can turn aspirations to reality gives the incumbent government an important psychological advantage so notably lacking in the recent past.

4. The Peronist movement that returned to power in 1973 is much more broadly based than the one that first elected Perón in 1946. From its quasi-fascist origins it has spread to encompass a broad spectrum of political ideologies and class interests. In addition to the trade union base that Perón created and used as his first springboard to power, the movement now includes many young supporters attracted by his nationalistic appeal and the revolutionary populism he advocated in exile. Peronism also has been embraced by substantial numbers from the middle class, as well as businessmen, professionals, and some of the intelligentsia. Despite the anti-Semitic overtones of Perón's policies during the 1940s, a large segment of the financially important Jewish community also supports Perón. While urban labor is the mainstay of the movement, provincial support has been a key factor in Perón's personal strength.

5. Also working in Perón's favor is the realistic attitude adopted by the military forces. After dominating politics since Perón's ouster in 1955, they have retreated to the barracks—at least for the moment. They are disillusioned with their own record of failure in governing and acutely aware of widespread public contempt for their leadership. Retirement of numerous senior officers has reduced anti-Peronist attitudes and the new crop of

leaders, while not apolitical, are persuaded that the military should concentrate on its professional concerns. Mindful of the need to regain public acceptance, the military are unwilling to interfere with a legitimate government without extreme provocation.

6. Like the military, opposition parties have adjusted to the realities of Perón's landslide victory. Peronists control the national congress and all but one or two provincial governments, leaving other parties only marginal opportunities to make an impact, even if they could work together. In addition, Perón's appeals for national unity have cut into potential support for non-Peronists. The major opposition group—the Radicals—has cooperated to some extent with the Peronists in congress.

7. Despite the factors working in his favor, Perón has his problems, many of them within his own movement. During Cámpora's brief tenure as president, leftists gained an ascendancy within the Peronist movement that threatened the politically more moderate trade union base. This trend, combined with a spread of civil disorder and leftist-inspired violence, goaded Perón into cracking down harshly on some of his "Marxist" supporters. This shift to the right intensified the level of struggle between opposing ideological factions to the point of open warfare between so-called orthodox Peronists—conservative old guard labor leaders—and youth and labor groups of leftist persuasion. It also surfaced dissatisfaction with Perón's policies. While many left-wing adherents still cling to a hope that Perón will eventually move to the left, their disillusionment and sense of alienation are growing.

8. The prospect of chaos in the event of a full-fledged confrontation among Peronists has not been lost on the extreme left. Marxist terrorists are intensifying their campaign of kidnapping, assassination, and bombings in

hopes of creating just such a situation. Perón's problem will be to isolate and subdue the extremists without alienating his own supporters of the moderate left. Clandestine paramilitary commandos have been organized and equipped by the federal police to take extra-legal action against left-wing terrorists. The armed forces, except for providing intelligence support, have avoided involvement in counter-terrorism, fearing that it would further erode their image. Abstention over the longer run, however, may prove difficult, if repressive action by security forces provokes an escalating round of violence that the government is unable to control.

9. Since his inauguration in September, Perón has discovered that consolidating his personal authority over the Peronist movement is more difficult now that he is on the scene. In exile and out of power, he could more easily play off one faction against another and shift to others the responsibility for making certain decisions. As president, he will be held ultimately accountable. It will be much harder to please all the diverse elements in his coalition, and as Perón begins to make hard decisions, the likelihood increases that he will alienate one or another group of his supporters.

The principal view of likely developments, endorsed by the Director of Central Intelligence, is contained in the two following paragraphs.¹

10. So far Perón has practiced conciliatory politics and has pursued essentially moderate policies, but the nettlesome problems his government faces and the character of Perón himself give little promise that this will con-

¹ This view is held by the Defense Intelligence Agency, the National Security Agency, and the Department of the Treasury, and is shared by the Director of Naval Intelligence, Department of the Navy, and the Assistant Chief of Staff, Intelligence, Department of the Air Force.

tinue for long. Many who remember the earlier Peronist era believe that Perón will eventually revert to his old tactics. And they are probably right, given his instinct for Byzantine maneuver and for political chicanery and deception. As he acts to keep his opponents and even his supporters off balance, he is likely to exacerbate differences within the turbulent Argentine community and to renew old suspicions and animosities. With the consequent erosion of the consensus that greeted his return, Perón would not hesitate to turn on his critics and erstwhile friends.

11. Little in Perón's style of operating promises effective movement against the difficult problems of contemporary Argentina. If he finds himself unable to quash the terrorist threat or achieve successes in remedying the economic situation, he will probably resort to the demagogic "solutions" he tried before, at the expense of stability and growth.² With few real solutions in sight, some such turnaround is probable (60-80 percent chance). But tactics that served in the 1940s and 1950s will not help Perón now. He no longer has the resources necessary for grandiose programs, and the more sophisticated political blocs of the 1970s are not so vulnerable to the kind of cynical power-brokering he used in the past. Under these circumstances, it cannot be excluded that he would first turn to the US for economic assistance. He would have to weigh a request carefully, however, because many of his more nationalistic supporters would find an approach to the US difficult to accept.

² The Department of the Treasury would add that while Perón appears likely to make a number of decisions which will aggravate Argentina's economic problems, there are sufficient underlying elements of strength in the economy that whatever damage accrues could probably be cushioned in the near term by temporizing measures. The Department of the Treasury considers that personal, political, and security factors probably will be more important than economic pressures in determining whether Perón again resorts to demagogic actions.

Another view of likely developments is contained in the two following paragraphs.³

10a. So far Perón has practiced conciliatory politics and has pursued essentially moderate policies. This is contributing to the evolution of a new national consensus, which is Perón's most significant accomplishment and the key to the eventual solution of Argentina's basic problems. The consensus, however, is still extremely fragile.

11a. Perón's ability to continue his moderate approach will depend largely on how well he copes with serious problems flowing from the internal security situation and the economy. The degree to which he is successful in handling these problems will determine the continuing viability of his coalition. A serious weakening of the coalition would tempt him to resort to populist solutions at the expense of stability and growth. He will certainly use many of the political tactics and stratagems he acquired during his first administration to attempt to maintain his coalition and move Argentina ahead, but these need not exacerbate existing differences. He will be aided in his efforts by the general belief in Argentina that there are no workable alternatives to him, that his uncertain health allows the body politic but limited time to strengthen the evolving consensus, and by the fact that popular hopes are pinned on his efforts. The Central Intelligence Agency and the Department of State estimate that Perón's chances of maintaining his coalition, continuing on a moderate course, and moving Argentina ahead are slightly better than even. The Assistant

³This view is held by the Central Intelligence Agency and the Department of State and is shared by the Assistant Chief of Staff for Intelligence, Department of the Army.

Chief of Staff for Intelligence, Department of Army, believes the odds are only about 40 percent that he can do so.

II. DOMESTIC AND FOREIGN POLICIES

12. Perón has ambitious goals for at home and abroad, some of which he lacks the means to attain. His aspirations in the international sphere are more likely to be frustrated than fulfilled, but he retains a capability to make things difficult for the US on specific issues. Some of his domestic policies, notably in the economic field, seem likely to damage both the economy and foreign investors in Argentina.

13. Peronist economic policies are directed at the short run objective of economic stabilization and long run goals of economic development and redistribution of income in favor of wage earners. The relevant programs are being carried out under an economic philosophy which emphasizes state intervention and economic nationalism. The objectives of the programs tend to conflict, however. The social programs require outlays which are inflationary and divert resources from industrial development projects, while the subsequent economic and political atmosphere discourages those with the funds and skills that Argentina lacks.

14. The Peronists did succeed in achieving some economic successes in 1973. When they assumed power in May, the country was in the midst of its worst inflation in 30 years. The cost of living had risen by 56 percent in 1972 and at an annual rate of about 95 percent during the first five months of 1973. The Cámpora government quickly clamped a freeze on prices, and limited wage increases. During the following five months, the cost of living changed less than 1 percent and the total increase for the year was about 45 percent. Real gross domestic product (GDP)

registered a 4 to 5 percent increase in 1973, led by a dramatic improvement in grain production and exports. The trade surplus was around \$870 million, and the balance-of-payments surplus was around \$670 million. Gross foreign exchange reserves more than doubled to nearly \$1.5 billion, as a result of a sharp growth in short term credits.

15. If present economic policies are continued, the outlook for 1974 and beyond is less rosy. In 1974 GDP could be about as great as in 1973, but the economy will see lowered corporate profits, reduced private investment, domestic and foreign, and some shortages of goods and renewed inflation. By 1975, these policies are likely to produce economic stagnation, lowered real incomes, inflation and shortages, and problems with the balance-of-payments. Although wage and price controls have halted the price spiral, inflationary pressures are mounting; the volume of money in circulation more than doubled in 1973, public spending continues to outstrip revenues at an alarming rate, and the budget deficit in 1974 is expected to exceed the 8 percent of GDP registered in 1973. Large scale social welfare programs, such as the two year, \$1.3 billion public housing program announced in July, will increase the deficit and divert needed funds to relatively unproductive endeavors. While recent tax reforms may reduce tax evasion, government revenues are not likely to increase since the major thrust of legislative efforts is the redistribution of income through shifts in the tax burden.

16. Argentina's financial resources—both domestic and foreign—will be strained to the breaking point if Perón makes a serious effort to complete his overly ambitious three-year development plan. The plan calls for more than 10 billion dollars in public sector investment by 1977 in a variety of projects. Despite Peronist assertions that international financial institutions will in 1974 provide some \$800

million in development assistance, Argentina will probably receive less than \$200 million during the year. Argentina already has a public external debt of about \$3.2 billion, which requires service payments in excess of \$2.2 billion in the three years 1973 through 1975.

17. The state's takeover of foreign trade in grain and meat is likely to worsen Argentina's economic difficulties. This action, combined with domestic price controls, has discouraged production of these items, the source of some 80 percent of Argentina's foreign exchange earnings. For these reasons and because of poor weather, wheat plantings for 1973/1974 are down nearly 25 percent and wheat exports from the crop are expected to be only 1 million tons, as compared with 3.2 million tons from the 1972/1973 crop. The government also has had difficulty in assuring domestic supplies of beef—despite record herds—because controlled prices have deterred suppliers from slaughtering their cattle.

18. The clouded economic outlook, political uncertainty, and domestic terrorism have adversely affected the investment climate. At stake is some \$3 billion in foreign direct investment, of which \$1.4 billion is from the US. Buenos Aires recently passed legislation restricting to 12.5 percent per year the amount of profit which can be remitted abroad. The law also discriminates against "foreign" (51 percent foreign equity) and "mixed" (20 percent to 50 percent foreign equity) companies vis-à-vis "national" companies (less than 20 percent foreign equity). Although apparently watered down at Perón's behest, the legislation still inhibits new investment from abroad. Congressional moves against ITT subsidiaries and the "renationalization" of foreign bank holdings acquired after 1966 are other deterrents. Perón's aggressive export promotion will also create problems. As a result of credits granted Castro's government (\$200 million

per year over a six-year period), US subsidiaries have been pressed to export manufactured goods to Cuba, which would be in violation of US laws. If US firms refuse to engage in such trade, there would be reprisals against them and charges of US interference in Argentina's affairs.

19. One of the driving forces of Perón's policy since the early 1950s has been a keen desire to propel himself—and Argentina—onto the world stage as a spokesman for Latin America and the non-aligned. This hunger for international prestige and hemispheric leadership is shared by the major opposition groups and by the overwhelming majority of the populace. They also share in the attitude of cultural superiority toward Argentina's neighbors and a European outlook that underlies its yearnings for an extra-continental role. Sensibilities have been rubbed raw in recent years as evidence of Argentina's own shortcomings has grown and as its giant rival, Brazil, has surged ahead economically. Thus, Perón's assertive role in pursuit of national greatness finds widespread welcome at home. It also diverts attention from domestic problems.

20. In the hemisphere, Perón is engaged in an effort to capture the leadership of the Spanish-speaking nations. He will find this difficult, because Argentina's failures undermine the credibility of such an effort, and because many of the Spanish-speaking countries have little sense of kinship with an Argentina they consider to be arrogant and European. He can be expected to do what he can to undermine the preeminence of Brazil and to lessen its influence in the hemisphere—but this is a game he is sure to lose. In the states between Argentina and Brazil, where the two countries have traditionally vied for influence, Perón will use both economic and political devices to try to improve Argentina's position. But prospects of weaning these nations away

from the Brazilian orbit are marginal in the face of Brazil's greater economic and political power. Even in Chile, where Perón had a good chance to increase Argentine influence with the new military junta, he has thus far been outdone by Brazil in terms of economic aid and military assistance.

The principal view of developments in US-Argentine relations, endorsed by the Director of Central Intelligence, is contained in the following paragraph.⁴

21. An amicable relationship with the US serves some of Perón's purposes—to drive a wedge between Washington and Brasilia and to attract US and other foreign capital, for example. Nonetheless, domestic political considerations, his own pretensions, and his basic antipathy toward the US will cause Perón to oppose this country on a number of international issues and will almost inevitably introduce frictions into US-Argentine relations. On broad international issues, such as the law of the sea and the "obligations" of the advanced nations toward the less developed, he will take an anti-US line. To the extent that he can, however, he will display his independence more in the measured style of Mexico than in the hostile manner of Peru.

Another view of developments in US-Argentine relations is contained in the following paragraph.⁵

21a. Perón's determination to promote Argentine interests has led him to seek amicable relations with the US. He would,

⁴This view is held by the Defense Intelligence Agency, the National Security Agency, and the Department of the Treasury, and is shared by the Director of Naval Intelligence, Department of the Navy, and the Assistant Chief of Staff, Intelligence, Department of the Air Force.

⁵This view is held by the Central Intelligence Agency and the Department of State and is shared by the Assistant Chief of Staff for Intelligence, Department of the Army.

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among other things, hope to use such relations in his efforts to foster Argentine development, counter the influence of Brazil, and to achieve a leadership role in Latin America generally. However, domestic political considerations and differing foreign policy goals will cause him to oppose the US on specific issues. To the extent feasible, he will show his independence from the US in a measured rather than a hostile manner.

III. ARGENTINA AFTER PERÓN

22. Perón's precarious health focuses attention on the succession problem. He has a history of recent heart attacks, coronary insufficiency, an apparently low-grade malignancy of the prostate, and other medical disorders. The following paragraphs outline three broad courses of development in the event of his death or incapacitation: a by-the-book succession of the vice president; a non-constitutional transfer of power to an interim govern-



Vice President Isabel Martínez de Perón

ment; a period of turbulence. At this time, chances of a *constitutional succession* appear better than even, but the odds could shift fairly rapidly in favor of an *unconstitutional takeover*. A period of *acute instability* is considerably less likely, yet it cannot be ruled out.

23. *Constitutional: Vice President Perón moves into the Presidency.* With seven years of unpopular military rule recently ended, legal succession will have a special force of its own. Unless Perón's popularity has largely vanished at the time of his death or incapacitation, Mrs. Perón's accession to the presidency will appeal to several significant power blocs. This would be the smoothest transfer for the *Peronists*; to go further down the line of succession would require the scheduling of an election within 30 days—a contest which the movement could ill afford without the unifying presence of Perón. Mrs. Perón and her closest associates are linked with the conservative wing of the movement, and she can probably count on the support, at least initially, of the largest Peronist sector, and can lean on the advice and guidance of Perón's key advisors. Significantly, [REDACTED] that the *military* would accept her succession. The armed forces, not anxious for renewed political responsibility and recognizing that popular sentiment is strongly against them, prefer a position of influence behind a civilian president. Major *opposition parties and business interests* would accept, and perhaps even support, such a moderate Peronist-military alliance as the forces for legitimacy and stability lined up against the violence-prone leftist blocs.

24. *Unconstitutional Takeover: A Caretaker Government.* If the Peronist popularity has seriously eroded, or if infighting among the Peronists has weakened the moderates' ability to dominate the movement, resistance to continued Peronist rule could rule out a con-

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stitutional succession. In these circumstances, the armed forces would probably form a junta until the political situation calmed enough to permit elections or establish an interim government in alliance with civilian groups—possibly with Peronist moderates and the Radical Party. In either case the rationale would be to maintain order through the uneasy period sure to follow Perón's departure. Lacking a real popular base, a caretaker administration would have an even more difficult time than would Mrs. Perón in exercising control without resort to harsh repressive measures. Return to institutional forms would be some time off.

25. *A Period of Turbulence.* In this case, the inability of any political party to assert authority and indecision by the military would prevent a smooth succession. A period of political confusion and probably violence would ensue as various elements vied for control. The political vacuum would be of limited duration, though just how long it would take for the situation to sort itself out would depend on many variables, such as the personalities involved, the determination or despera-

tion of the contending forces, and public reaction. *How* things would sort out is also unpredictable; but it is reasonably clear that the military would have the primary role in establishing the government that evolved.

26. None of the alternative lines of development provides an inherently stable situation. Both the constitutional and unconstitutional successions are essentially "establishment" solutions that will be opposed violently by the radical left. With Perón gone, no Peronist leader will be able to hold together the clear majority he was able to garner, and a breakup of the coalition seems all but certain. Thus, Perón's death will call into play all the shortcomings of Argentina's multiparty system. Moreover, neither the political parties nor the military are likely to provide a leader with the stature and charisma to command broad respect. Even if an alliance of the forces of moderation can control violence and achieve an orderly succession, the likelihood is that the divisiveness that has retarded Argentina's development for decades will continue to thwart solution of the country's basic problems.

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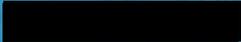
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