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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI #5624-82

8 July 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : [Redacted]
Vice Chairman, National Intelligence Council

FROM : [Redacted]
Special Assistant for Warning

SUBJECT : Short-term Argentine Intentions

1. President Bignone's government intends to maintain the de facto ceasefire with Britain, but it cannot, for domestic political reasons, accede to London's demand for a formal statement acknowledging a cessation of hostilities. Foreign Minister Aguirre Lanari stated publicly on 5 July that "There is in fact a ceasefire by Argentina in the South Atlantic, but that does not mean that we are giving up the defense of the 100-year-old rights." The highest priority of the Argentine leaders is to protect their claim to sovereignty over the Falklands, and they are therefore unwilling to take any steps, such as a formal cessation of hostilities, that in their view would prejudice this claim. Army Commander General Nicolaidis told a military audience on 3 July that recovery of the islands, using "the most appropriate measures possible," would continue to be the main objective of Argentine foreign policy.

2. The Argentines apparently are confident that the British eventually will release the remaining Argentine prisoners of war, lift the maritime restrictions, and end economic sanctions without securing a formal declaration ending hostilities. This calculation probably is correct because the Thatcher government is searching for a way to end the impasse and to return the last 590 prisoners. According to press reports, London is considering a unilateral declaration on the cessation of hostilities, assuming that Argentina would not challenge such an initiative. In a move to facilitate a British declaration, the Argentines on 7 July released a Harrier pilot, their only British prisoner.

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3. The Argentine government apparently does not intend to take early action to bring the Beagle Channel dispute to a head. Although Argentina has scores to settle with the Chileans over their assistance to the British during the Falklands conflict, the Bignone government does not seem to be under any immediate domestic pressure to provoke a test of strength with Chile. Army leaders appear to see no alternative but to proceed with their pledge of 22 June to lead a "short-term transition government" aimed at restoring civilian political rule "by the early months of 1984."

4. Argentine policy on the dispute with Chile, however, may be influenced more heavily by political infighting within the Army than policy with respect to the Falklands. The state of affairs in the Army is too uncertain to allow confident long-term judgments. There is great bitterness in the officer corps over Argentina's defeat and strong sentiment for punishing those senior generals who are responsible for the debacle. Army politics could still generate an upheaval in the senior command that might impel General Nicolaides to provoke a conflict with Chile as a means of defending his position and protecting the Army's political primacy.



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