

LBJ LIBRARY  
Mandatory Review  
Case # NLJ 93-86  
Document # 32

~~SECRET~~  
~~CONTROLLED DISSEM~~

*Rafael*  
NIE 91-67  
7 December

## NATIONAL INTELLIGENCE ESTIMATE

NUMBER 91-67  
(Supersedes NIE 91-65)

# Argentina

Submitted by

*Richard Helms*  
DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the  
UNITED STATES INTELLIGENCE BOARD

As indicated overleaf  
7 December 1967

Authenticated:

*James H. Doherty*  
EXECUTIVE SECRETARY, USIB

Approved for Release

Date *26 October 1994*

~~SECRET~~  
~~CONTROLLED DISSEM~~

Nº

~~SECRET~~

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

The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA.

**Concurring:**

Dr. R. J. Smith, for the Deputy Director, Central Intelligence

Mr. Thomas L. Hughes, the Director of Intelligence and Research, Department of State

Vice Adm. Vernon L. Lowrance, for the Director, Defense Intelligence Agency

Lt. Gen. Marshall S. Carter, the Director, National Security Agency

**Abstaining:**

Dr. Charles H. Reichardt, for the Assistant General Manager, Atomic Energy Commission and Mr. William O. Cregar, for the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

~~SECRET~~  
**WARNING**

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

~~SECRET~~



## CONTENTS

	<i>Page</i>
THE PROBLEM .....	1
CONCLUSIONS .....	1
DISCUSSION .....	3
I. THE UNDERLYING PROBLEMS .....	3
II. THE CHARACTER OF THE ONGANÍA ADMINISTRATION .....	7
A. The President and His Advisers .....	7
B. Onganía and the Military .....	9
III. ECONOMIC MODERNIZATION AND STABILIZATION .....	10
A. The New Program .....	10
B. The Record .....	11
IV. POLITICAL PROBLEMS .....	12
V. OUTLOOK .....	14
A. The Shorter Term Prospects .....	14
B. The Longer Run .....	15



## ARGENTINA

### THE PROBLEM

To consider the nature of Argentina's basic problems, the character and actions of the Onganía administration, and the prospects for significant economic and political progress over the next four or five years.


### CONCLUSIONS

A. President Onganía is bent on retaining power as long as necessary to revive the country's economy and, when that is accomplished, to tackle its political maladies. The government has given priority to a sustained attack on the most serious economic aberrations; it has meanwhile suspended politics as usual, ordered all the political parties dissolved, and put off indefinitely any attempt to come to grips with the country's most divisive political problem—Peronism.

B. Onganía's administration has, for the most part, avoided repressive actions, and, in the conduct of its business, it appears more civilian than military. Most Argentines, though not enthusiastic about him, seem quite willing to wait and see how his government performs. We believe that Onganía will continue to hold power over the next year or so.

C. The administration has initiated a complex economic program designed to achieve both financial stabilization and economic development. It has sharply reduced the power of organized labor and has taken positive action to reduce budget deficits, increase production, and control inflation. These measures have attracted considerable official and private financial and technical support from abroad. Over the next year or two we look for additional progress in budgetary reforms, in stabilization measures, and in some aspects of development.

D. Over the longer run—the next four or five years—we doubt that the regime can continue to keep Argentine political problems on



the shelf. We think Onganía will have great difficulty in holding cohesive civilian support behind his program, and as time passes his military backing is likely to become less solid. These factors will complicate any attempts by Onganía to come to grips with the Peronist problem. Further, we do not believe that even over this longer period of time Argentina will establish a representative system of government capable of reaching a consensus on policies and tactics for dealing with its social and economic problems.

E. We believe, nonetheless, that the government will make considerable progress in reducing the impact of fluctuating harvests and commodity prices on annual growth rates. Broader economic success, however, will depend on the government's ability to maintain continuity in its policies and to retain public confidence in their durability over a number of years. We believe that the government's chances of remaining in power over this longer run are considerably better than even, but we are less confident that it will be able to adhere firmly to a successful economic policy.

F. Onganía's anti-Communist leanings will continue to be a force for close cooperation with the US. Among the issues which could adversely affect US-Argentine relations would be a refusal by the US to carry out what the Argentine military establishment regards as a commitment to assist in the modernization of its armed forces.

~~SECRET~~

## DISCUSSION

### I. THE UNDERLYING PROBLEMS

1. For decades Argentina has failed to achieve the great potential of its human and material resources.<sup>1</sup> Countries which 30 or 40 years ago were Argentina's peers—Canada and Australia, for example—have moved far ahead both in economic growth and in advancement of political institutions. The Argentines, arrogant in their conviction that they ought to be *the* leading power among Latin American nations, have increasingly resented their country's failure to progress rapidly and to modernize. They have been better at expressing these aims, however, than in doing something to fulfill them. Argentines have seldom been willing to make personal sacrifices for the collective good, and, in recent years, have found it extraordinarily difficult to reach any political consensus. From the overthrow of Perón, in 1955, until the assumption of power by the present government, there were five regimes in Argentina, and none of them was long capable of decisive, consistent action.

2. The declared purpose of the present government is to provide strong rule for as long as required to correct the country's most serious economic aberrations and to establish new foundations for orderly political and social progress.<sup>2</sup> Clearly this is a task of great magnitude and not one where results can readily be achieved; thus, the most important tests of the government's performance may come only over a period of four or five years.

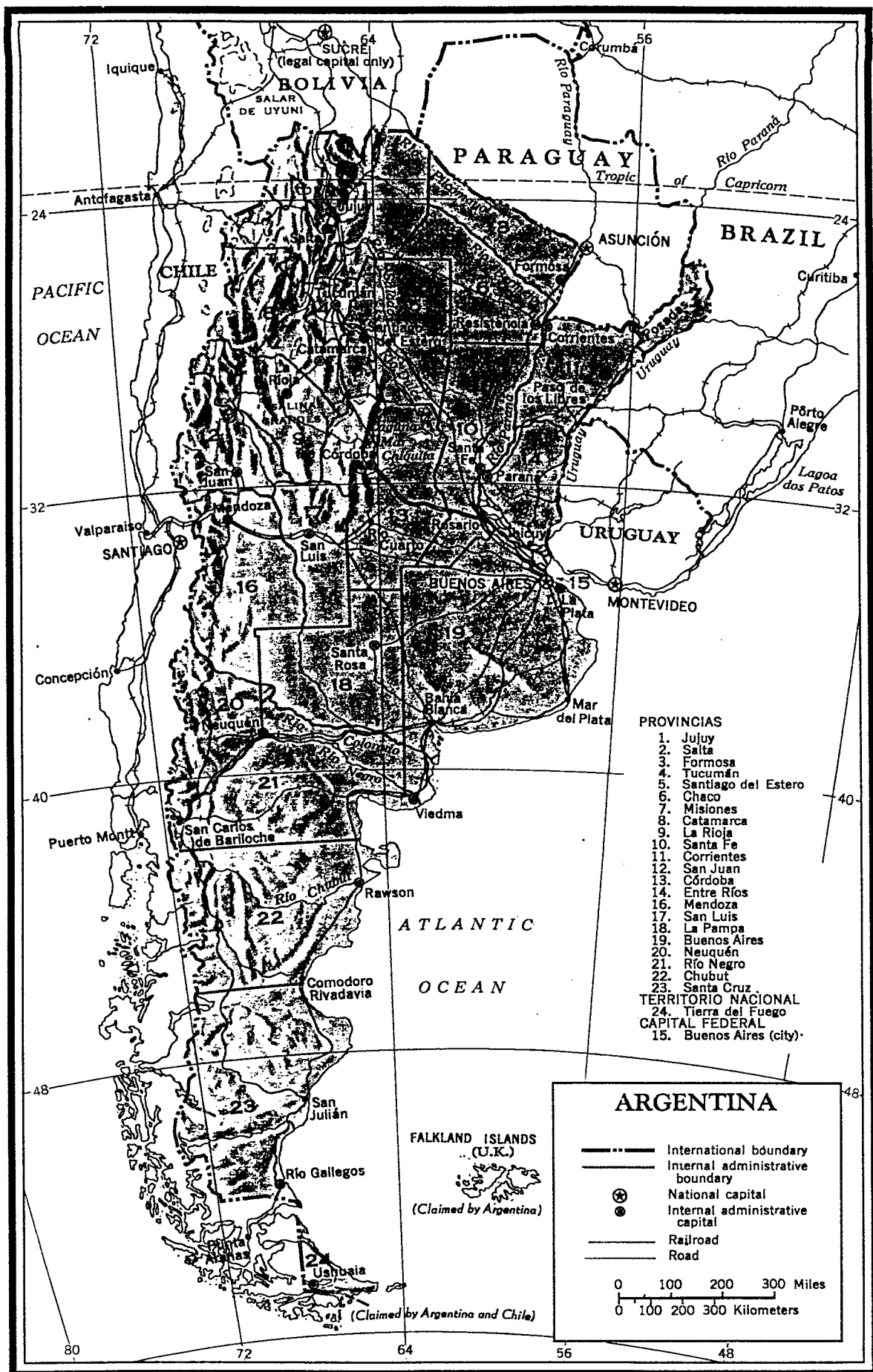
3. Argentina has basic economic problems that defy quick, easy solutions. The population is more than 70 percent urban, and industry and services account for more than 80 percent of gross national product (GNP) and total employment. (See Figure 91-1, "Economic Sectors as a Percent of GNP".) Yet the economy has continued to depend on agriculture to earn the foreign exchange needed for its maintenance and development. The conflict between the interests of the urbanized bulk of the population and those of the rural minority producing for export has created a major dilemma in national policy for decades. For many years Argentina has suffered from a stop-go pattern of economic growth, and from budget deficits, a high rate of inflation, balance of payments difficulties, and widespread inefficiency in production. Since the removal of Perón, the Argentine economy has been unable to sustain growth for more than two successive years.

---

<sup>1</sup> These include a population (about 23,000,000) which provides one of the largest and best educated labor forces in Latin America, an extensive and very fertile agricultural area, a developed industrial base, and adequate petroleum reserves and hydroelectric power potential.

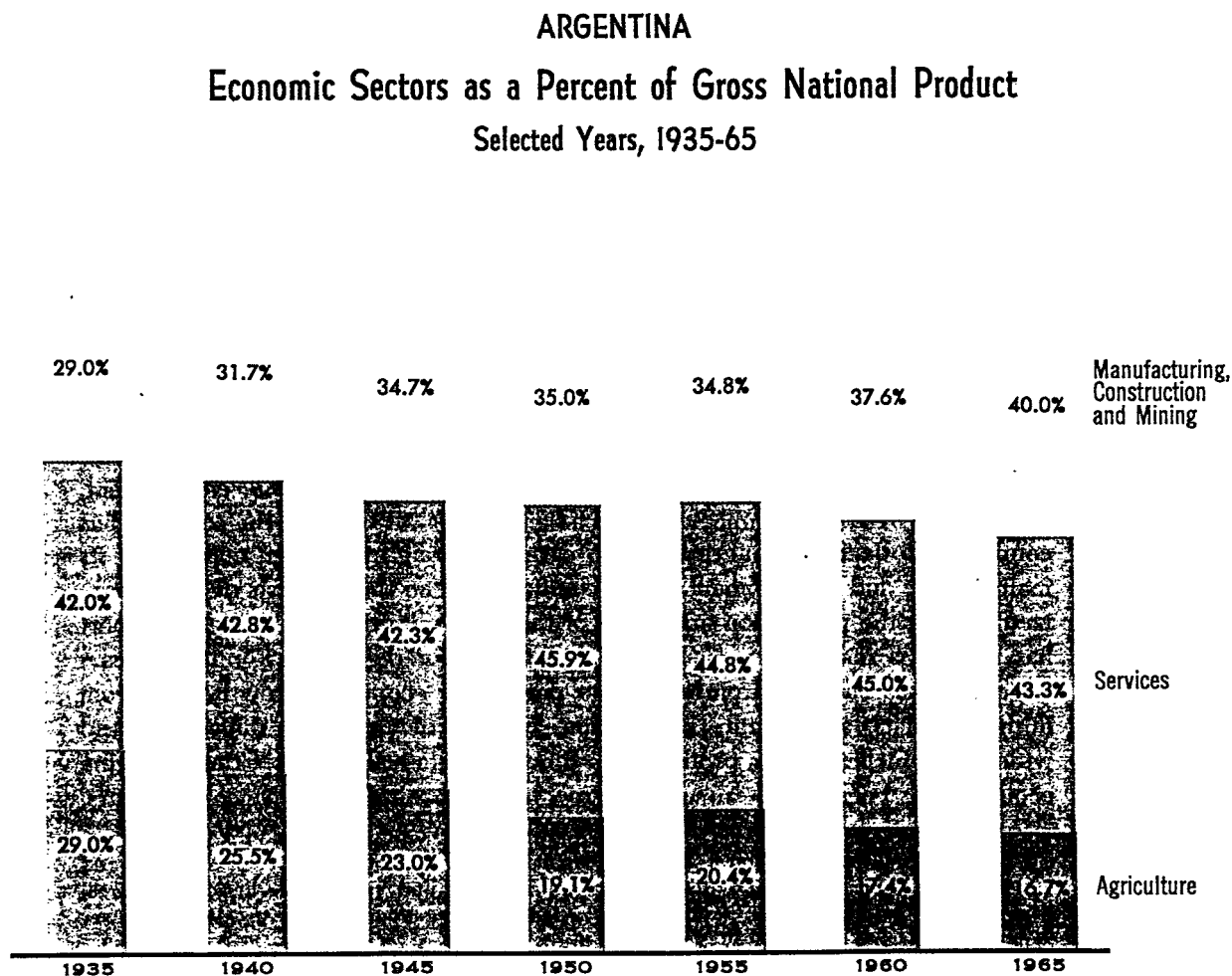
<sup>2</sup> Military takeovers in Argentina are by no means a new phenomenon; since 1930 coups have removed five civilian and two military governments. Each time the military have taken power, there have been some among its leaders who wanted to retain it long enough to impose basic political and economic changes. Until the coup of 1966, however, these views did not prevail, and the forms of constitutional government were restored fairly quickly.

~~SECRET~~



Year-to-year performance has fluctuated widely, with GNP rising as much as nine percent or declining as much as six percent in one year. The rate of growth for the period as a whole has been slow and, since 1961, the annual rate of growth in GNP has averaged only 1.7 percent—the same as the rate of population growth. Demand for goods and services, however, has continued to expand—mainly as a result of politically motivated wage increases and increasing budget deficits—and the cost of living has risen an average of about 25 percent a year. (Figure 91-2, "Indices of Economic Activity," provides these and other economic data for the period since 1955.)

Figure 1



57933 12-67



FIGURE 91-2, "INDICES OF ECONOMIC ACTIVITY"

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967 Est
(millions \$ US)												
National Accounts												
GNP in 1965 prices.....	11,720	12,370	13,240	12,470	13,460	14,360	14,120	13,630	14,710	16,000	15,810	..
(Annual percentage change).	..	(5.5)	(7.0)	(-5.8)	(7.9)	(6.7)	(-1.7)	(-3.5)	(7.9)	(8.8)	(-1.2)	(2.5-3.0)
(percent of GNP)												
Total goods and services available *												
Private consumption.....	101.4	102.8	102.2	99.9	101.7	104.1	102.2	98.1	99.8	99.0	98.8	..
Government consumption.....	73.6	74.4	72.4	72.9	69.9	70.6	68.6	70.8	71.6	69.4	69.4	..
Gross domestic investment....	9.9	8.6	9.9	8.7	9.0	10.3	11.1	10.2	10.3	10.5	11.5	..
	17.8	19.8	19.9	18.3	22.8	23.2	22.5	17.1	17.8	19.1	17.9	..
(millions \$ US)												
Balance of Payments												
Net current account.....	-131	-303	-259	11	-205	-586	-275	232	34	220	253	300
Net capital account.....	122	76	197	263	534	337	307	168	7	-54	-204	140
Short-term capital and errors and omissions.....	27	87	-152	-154	-176	131	-343	-206	33	-29	20 <sup>b</sup>	..
Net change in monetary reserves (-increase).....	-18	140	214	-120	-153	118	311	-194	-74	-137	-29	-440
TOTAL Foreign Debt.....	na	na	2,105	2,495	na	na	2,921	3,164	2,924	2,650	2,663	..
(1958=100)												
Export Prices.....	107	104	100	103	108	107	99	108	119	119	na	..
(percentage increase)												
Cost of Living (Average for Year).	13.0	24.6	31.6	114.0	27.1	13.6	27.8	24.3	22.2	28.5	32.3	..
Wages (Hourly Earnings).....	13.8	34.0	40.8	57.0	39.5	26.9	18.0	28.7	39.3	42.7	na	..

\* GNP plus or minus balance on exports and imports of goods and services.

<sup>b</sup> Errors and omissions only.

~~SECRET~~

4. The national budget has been strained by a combination of falling revenues and increasing expenditures to cover the operating losses of the public enterprises (mainly the railroads), which are overstaffed and inefficient. A long tradition of inefficiency has also been evident in the industrial sector, where, supported by subsidies in various forms and protected by the highest tariffs in Latin America, producers have had little incentive to reduce labor and other costs, increase productivity, and expand markets. Although the industrial complex absorbs more than 90 percent of imports, its products generally have not been competitive in foreign markets, and agriculture remains the principal source—more than 90 percent—of export earnings. Over the last two decades, however, the agricultural sector has tended to stagnate because of insufficient investment: Profits have been limited and investment incentives dampened by a combination of increased operating costs and export taxes, which have run as high as 25 percent on wheat, meat, and other commodities. Thus, in failing to adopt modern agricultural techniques, Argentina has lagged steadily further behind its main competitors, Australia, Canada, and the US, and has failed to expand sufficiently its traditional exports.

5. The resulting trade deficits, together with periodic flights of capital, have in turn, led to the accumulation of an extraordinarily large foreign debt.<sup>3</sup> The tendency toward periodic crises in the balance of payments is now intensified by the heavy lien placed on export earnings in order to service and repay the foreign debt. Swinging between conditions of economic boom and bust, the country has not been able to pursue consistent development policies and public confidence in the future has been gravely eroded.

6. Among the country's political problems the most divisive, in recent years, has been the persistence of Peronism. Perón's creation of this political movement had enabled a neglected sector of the Argentine population—its unskilled as well as its better trained labor groups—to share in the exercise of political power. By the end of his decade in power Perón had alienated many of the other groups that had supported him at first—a wide variety of nationalists, elements of the military, the Church, industrial and commercial interests. Nevertheless, and despite having been in exile since 1955, Perón (now 72) still exercises a strong influence over the rank and file of organized labor in Argentina. The Argentine military leaders were clearly disappointed with the slow-paced approach of President Arturo Illia (1963-1966) toward modernization of the nation, but it was his failure to develop an acceptable strategy to meet the threat of a Peronist victory, in key national and provincial elections to be held in early 1967, that provided the occasion for the military seizure of power in June 1966.

7. Upon seizing power the military leaders prorogued the national and provincial legislatures, dissolved the political parties, dismissed the governors of the

---

<sup>3</sup> Total foreign debt reached a peak of \$3.2 billion in 1963. Since then imports have been held down and exports have been expanded, thus permitting foreign indebtedness to be reduced.

~~SECRET~~

provinces, and purged the Supreme Court. The military junta, whose members were the commanders in chief of the Army, the Navy, and the Air Force, also concentrated all executive and legislative power in the hands of Juan Carlos Onganía, a retired lieutenant general and former commander in chief of the Army (1962-1965), whom they installed as President. In sum, the military leadership decreed an end to political processes until some unspecified time in the future when the renovation of the nation has been substantially achieved and Argentina restored to its "rightful rank among nations." In the following paragraphs we propose to examine the character of the military regime, its program, and its prospects over the next four or five years.

## II. THE CHARACTER OF THE ONGANÍA ADMINISTRATION

### A. The President and His Advisers

8. The Onganía government is a presidential dictatorship dependent upon military support. The way in which it intervened in the national universities and the overreaction of its police forces to student resistance and provocation led observers to suppose that it would be as repressive as other Latin American dictatorships have been. But since the summer of 1966 Onganía has not resorted to repressive action on any major scale. He has issued an anti-Communist law under which a wide range of activities could be interpreted as Communist and punished by severe penalties. This action was motivated by deep-seated anti-Communist convictions which are shared by the military and other influential groups in society. The administration has a strong bent to prudishness and has banned, for salacity, a number of plays and films that were accepted elsewhere. Onganía is also intolerant of either political satire or criticism of the armed forces. The press remains relatively free, although the recent banning of two small periodicals has revived fears regarding the government's intentions. Nevertheless, the press has continued to criticize official policies and actions—albeit with a degree of self-imposed censorship. This situation contrasts with the repressive and coercive measures employed to control the press during the Perón dictatorship.

9. In the conduct of its business the Onganía administration appears more civilian than military. While retired military men have been placed in charge of most of the provincial governments, of the Federal Capital, and of the National Development Council, the day-to-day business of running the national government has remained in civilian hands. Within the government itself, the Cabinet Ministers and their principal subordinates are civilians, and economic policies are now largely formulated and carried out by a team of civilian experts. The Supreme Court was purged shortly after the military takeover, but the lower Argentine courts have ruled against the administration on several occasions.

~~SECRET~~

[REDACTED]

10. Onganía himself is a taciturn professional soldier, widely respected for his role in restoring constitutional government during the turbulence of 1962-1963. He does not project great appeal for the general public and, in his reluctance to court public opinion, he more nearly resembles the late President Castello Branco of Brazil than the flamboyant Juan Perón. Onganía is neither a man of broad intellectual background, nor a crusader in the usually accepted sense of the word; indeed, he tends to be pragmatic and even cautious. He has shown an ability to choose well among various options presented by subordinates, and a knack for finding a reasonable balance among the views of competing groups. One factor which proved detrimental in his first few months in power, and which may still cause difficulties, is his long, close association with rightwing nationalists; a devout Roman Catholic, Onganía had previously participated in religious activities—including retreats—with a number of these individuals.

11. As President, Onganía spends considerable time listening to and weighing the suggestions of his advisers. There are within his administration varying viewpoints, but most of the officials adhere to one or the other of two basic lines of approach. Argentines refer to these two groupings as *nacionalistas* and *liberales*. Both are nationalistic, but the *nacionalistas* tend toward xenophobia, and are opposed to foreign investment, particularly in the petroleum industry. They are better described as statist, because they strongly support state control of large sectors of the economy, many of them have previously belonged to rightist organizations, and many have no faith that the traditional forms of parliamentary democracy can work in Argentina. In recent months Onganía has shifted away from his early dependence on the statist, although their views are still represented in his administration by such individuals as Maj. Gen. Osiris Villegas, the Secretary of the National Security Council, Guillermo Borda, Minister of the Interior, and Mario Díaz Colodrero, the Secretary of Government.

12. The *liberales* stress the importance of free enterprise to the economy; they are liberals in the 19th century sense of the term, holding to a conservative, business outlook. They believe in constitutional democracy but are reluctant to accept the lower economic classes and are willing to limit the suffrage. Since December 1966, in spite of his continuing close personal relationship with various of the statist, Onganía has clearly followed the advice of the liberals in determining Argentine economic policies. He has appointed the respected economist Dr. Krieger Vasena to lead his economic team and other liberals to serve on it—men who are reasonably international in outlook, are proponents of private enterprise, and welcome foreign capital investment in all fields. The liberal grouping also includes individuals who hold other key jobs, among them Lt. Gen. Julio Alsogaray, the commander in chief of the Army, and his brother Alvaro, the Ambassador to the US. Onganía has not, however, committed himself irrevocably to the liberals and thereby keeps the statist hopeful that they may again have their turn.

## B. Onganía and the Military<sup>4</sup>

13. The armed forces, and particularly the Army, are firmly committed to the revolution ordained by the military seizure of power in June 1966, and support Onganía. Initially, the military leaders had limited access to the President but over the last year Onganía has maintained a much closer liaison with them to facilitate exchange of opinions. In the case of military criticism of the administration's original economic team, for example, the military leaders were able to bring about a change in the Cabinet. On some occasions the President acts to keep situations from developing which would arouse military discontent, especially in the Army.

14. Thus far, Onganía has been able to keep military leaders with widely disparate views, such as Alsogaray and Villegas, among his principal advisers. He has carefully balanced one with the other, to prevent either from becoming a serious threat to his position. At the same time, through his control over military promotions, retirements, and assignments, Onganía has been able to remove or neutralize potential rivals and to move supporters of the revolution into key positions. In this manner, and while acknowledging that the armed forces are the backbone of the revolution he is carrying out in their name, he has been able to keep the direction of the government in his own hands.

15. Within the Army there are individuals and groups who are opposed to Onganía or his present policies, or both, for a variety of reasons including personal ambition and political differences. The impact of these individuals and groups, however, is limited by their inability to unite and by their lack of a leader or program able to draw support away from Onganía. The present Army leadership is agreed on the necessity of maintaining its unity and giving Onganía a chance to get on with the modernization of the nation. Thus, while there is still a possibility of a clash over who ultimately controls the government, the commander in chief of the Army (Alsogaray) and Onganía have a common interest in defending the present economic program against its opponents. Furthermore, in the eyes of most military leaders, Onganía has made few serious mistakes.

---

<sup>4</sup>The Argentine security forces have a personnel strength of about 160,000, distributed as follows:

Army .....	85,000
Navy .....	36,000
Air Force .....	17,000
National Gendarmerie .....	11,000
National Maritime Prefecture .....	8,000

The Gendarmerie and Maritime Prefecture are largely border and coastal patrol forces, respectively, but both are well trained paramilitary forces under military leadership and discipline. There is also a Federal Police Force of about 22,500 men. Some 11,000 of this force are involved in public safety activities in the area of the national capital; they include two units totaling about 2,100 men who have been trained in paramilitary tactics with US assistance.



### III. ECONOMIC MODERNIZATION AND STABILIZATION

#### A. The New Program

16. The present government took office with an awareness of the nature of the country's economic problems and a determination to deal resolutely with them. At the outset, however, Onganía's economic advisers had little or no government experience and no clear idea how to begin. They made some successful moves against such obvious targets as the inefficient and costly port system and the work rules for the national railroads. These moves fell far short of the expectations of those groups who had placed Onganía in power. Before the end of 1966 it was clear that inflationary pressures were growing, the economy was not moving ahead, and the administration's economic efforts were floundering. It was then (December 1966) that Onganía responded by shaking up his Cabinet and turning to the new team of economic experts.

17. *Goals and Tactics.* The major goals of the broad and complex program initiated by the new economic group in early 1967 are financial stabilization and economic development. The kind of program Krieger Vasena has undertaken requires careful timing and coordination to prevent the aggravation of problems in one area by the measures taken to correct conditions in another. To counteract the inflationary impact of a 40 percent devaluation of the Argentine peso—which was designed mainly to effect an improvement in the balance of payments—an incomes policy has been initiated to freeze wages and to hold down prices. The simultaneous lowering of tariffs also was meant to reduce the costs of imports as well as to force an increase in investment and production efficiency by lessening protection from foreign competition. Another counterinflationary objective of prime importance is the reduction in the government fiscal deficit. In the short term, this is being accomplished mainly by an increase in tax revenues. Any sizable reduction in the numbers of government employees is being postponed until they can be absorbed into productive jobs elsewhere. To facilitate their transfer and to counteract the recessionary effects of the stabilization program as a whole, the government has enacted a variety of incentives to private investment, both foreign and domestic.

18. The administration has repeatedly stressed its intention to reduce, and where possible, to eliminate government involvement in those sectors of the economy where private capital can be induced to take over. Generous tax and credit privileges have been provided for investments in agriculture, industry, mining, and construction, and private capital has been invited into basic industries and services previously owned or dominated by the government.

19. At the same time, the administration intends to expand public investment, primarily in the economy's infrastructure. Its plan, which involves a variety of power, transportation, irrigation and housing projects as well as basic industrial and agricultural programs, is to be financed through domestic savings and foreign borrowing. These are designed to spur current economic activity as well as long-term economic growth. The largest of these projects is the

[REDACTED]

El Chocón-Cerros Colorados hydroelectric development project which might cost half a billion dollars over several years. Its purpose is to promote agricultural as well as industrial development in the Neuquén-Río Negro area, and to help check the migration from the interior to the heavily populated metropolitan area (see map showing population distribution). The Onganía administration has announced that this project will be initiated soon even if the World Bank does not provide the \$150 million loan requested to finance part of the costs of the imports the project will require. The administration has indicated that it might call for European and Soviet assistance.

#### B. The Record

20. No economic miracle has been achieved, but major problems have been identified, and action has been begun on many of them. Krieger Vasena has sought the counsel of international agencies, has incorporated their suggestions in his program, and has thereby enlisted considerable official and private financial and technical support from abroad. Thus far, the Argentine Government has obtained about \$400 million in the form of standby funds from the International Monetary Fund, the US Treasury, and a consortium of European and US banks as well as important development loans from international financial organizations. Moreover, for the first time since World War II, arrangements are being worked out to float Argentine bond issues in the European market. The marked improvement in the financial position of the country is reflected in the substantial increase in the Central Bank's holdings of gold and convertible foreign exchange (from less than \$200 million in early March 1967 to over \$700 million by the end of July).

21. The effort to control rises in the cost-of-living index has not been so successful. Prices rose by nearly 25 percent during the first 10 months of 1967. This rise was due in large part to the 40 percent devaluation of the peso and to food shortages caused by bad weather and speculative hoarding of wheat. The administration, however, moved quickly to relieve winter shortages by importing foodstuffs—including wheat from Spain and Bulgaria—and is doing so again to lessen the impact of the October floods. The largest portion of the price increases resulting from the devaluation has been absorbed, and current progress in stabilizing wages and utility rates holds promise of limiting further inflationary pressure. In addition, there is some indication that business enterprises are beginning to accept the administration's view that future profits increasingly will be determined by efficiency rather than inflationary price hikes and protection from external competition.

22. The administration has, moreover, exerted an important stabilizing influence by its reduction of the budget deficit. For the first eight months of 1967 that deficit (43 billion pesos) was in real terms less than one-half the deficit for the same period in 1966. Although 1967 expenditures are about 10 percent higher, in real terms, than for the corresponding eight months of 1966, revenues have risen 41 percent. Most of this increased revenue comes from the export

[REDACTED]

tax and an emergency property tax, but improvements in administration are also partly responsible.

23. The measures to encourage private enterprise have produced some signs of a renewal of domestic business confidence. This is reflected in businessmen's positive response to the voluntary price-restraint program and in the successful reopening of the Treasury Bill market (after a lapse of 20 years). Private investors are still very cautious and some pockets of depression still persist—unemployment is now at about six percent. But the fact is that, despite the strong stabilization measures the government has taken, it has averted an overall recession. GNP per capita will probably rise in 1967 by about one percent. Winning the confidence of the long neglected agricultural sector will be more difficult for the government, though reductions in taxes on various agricultural exports have been a useful first step.

#### IV. POLITICAL PROBLEMS

24. The country's basic political problem continues to be the inability of its leaders to establish a representative system that allows all political groups to participate and is acceptable to the military. This problem predates the emergence of Peronism but has been complicated by it. Perón, by giving material gains, social benefits, status, and a political role to Argentine labor, won its support as the popular base for his regime. Under Perón labor became a privileged, rather than an exploited, sector of the society, and post-Perón governments were not able to establish a new labor-management-government relationship which either labor, management, or the military would accept. Although Perón's control over the leaders of the trades unions has declined, he still has considerable influence over the rank and file of labor and other elements of the Peronist movement. That is a major reason why the movement is anathema to the military. Many of the senior officers realize that Perón's return is not in the cards—they would not permit that—but they are equally unwilling to allow Peronism to achieve a position of dominant influence.

25. The Onganía administration has postponed any serious attack on the problems of a lack of political consensus and the persistence of Peronism. It has ruled by decree and concentrated its energies on the economic front. Onganía has refused either to work with traditional political parties or to set a date for holding elections and relinquishing power. As a result virtually all the country's political factions are in opposition to him. So are the bulk of the country's intellectuals, including teachers and university students. The political opposition has remained largely passive, however, and, in the main, the general public has seemed quite willing to wait and see how the government performs.

26. A major point of strength for Onganía continues to be the divisiveness of the opposition. Formidable obstacles stand in the way of any effective cooperation between the two principal political groups, the Peronists and former Presi-



[REDACTED]

dent Illia's Radicals.<sup>5</sup> There are deep-seated personal animosities between some of the Radical leaders and the Peronists; there are wide differences among the various Radical factions; and there is little real unity among the Peronists. Nevertheless, some exploratory conversations aimed at achieving a working arrangement have been held between Peronist and Radical leaders, and the members of the two groupings share many common views about what needs to be done in Argentina.

27. Perón's issuance of conflicting instructions, to various Peronists claiming to be his spokesmen, has undercut attempts at Peronist unity and has enabled him to prevent anyone else from assuming his mantle. Furthermore, as long as Perón is the dominant figure in Peronism, the Radicals and other opposition political leaders must consider the likely results of elections in which Perón would probably have a decisive influence on the outcome of the voting. During the last decade virtually all Argentine political parties, including the Communists, have sought to win over the Peronist masses but none has succeeded.

28. The government's success in handling labor resistance has demonstrated the present political weakness of the unions despite a membership of some 2.3 million. Labor leadership has been divided and few of the unions have gone far in backing up those unions which have challenged the military government. This lack of labor solidarity reflects the heterogeneous membership of the individual unions (some representing highly trained workers while others are made up of unskilled laborers) and the divisions within the leadership of the General Confederation of Labor (CGT). It also reflects the basic dichotomy in the Argentine labor movement. Initially made up of unions with socialist, Communist, and even anarchist traditions (derived from the massive immigration of Italians and Spaniards between 1880 and 1914), the CGT was inundated under Perón's leadership by the rapid organization of new unions. Many of the members of these unions were native Argentines, who had migrated from the provinces to the metropolis since 1930.<sup>6</sup> These migrants from the more conservative societies of the interior carried over into their union activities a traditional attachment to a *patrón*. Perón filled this role for them then and to a considerable extent still does.

29. The present government has reversed its predecessor's largely laissez-faire labor policies by decreeing obligatory arbitration in labor disputes affecting the national interest. While other factors undoubtedly were involved, the

---

<sup>5</sup>In the 1965 congressional elections Illia's party polled about 28 percent of the total vote and the Peronist-oriented parties some 37 percent. None of the other parties received more than seven percent of the total vote.

<sup>6</sup>Between 1914 and the mid-1930's migration from the provinces to the greater Buenos Aires area averaged some 8,000 persons each year. During the rapid industrialization of the 1940's the number of migrants increased to an estimated average of 100,000 annually. In the years from 1947 to 1951, at the height of Perón's program of industrialization, that migration is estimated to have reached nearly 200,000 a year. It has continued to cause the population of the greater Buenos Aires area to grow rapidly—increasing 118 percent between 1947 and 1960 (the date of the latest census), compared to the national average of 26 percent.

[REDACTED]

government's firmness in dealing with labor is reflected in the loss of fewer than 200,000 man-days, caused by labor disputes during the first half of 1967, as compared with more than 1,500,000 in the last six months of the Illia administration. Over the last few years price rises generally have been matched by wage increases. This probably has played a role in the refusal of the rank and file of labor, despite its grumbling over rising prices, to risk a confrontation with a strong government.

## V. OUTLOOK

### A. The Shorter Term Prospects

30. Onganía has made appreciable headway in a relatively short time. Over the next year or two he probably will press on with the general program his administration has developed, continuing to give priority to economic matters, and hoping to leave the major political and social problems until later. We think that, over this shorter term, he will retain the military support needed to give continuity to his economic program and that he will continue to make progress on Argentina's economic problems.

31. Over the shorter run, the amount of growth and the degree of prosperity in Argentina will continue to be affected by the size of the wheat and corn crops, and on world prices for these and other exports such as beef and wool. Either poor harvests or lower market prices would decrease the administration's revenues and a combination of both would force it either to curtail sharply its program of public works or to secure additional outside financing. Similarly, should the manufacturing sector fail to pick up substantially, the administration will be seriously hampered in carrying out the dismissals of government employees, particularly from the railroads, needed to effect further reductions in the deficits of government enterprises. Under such conditions there would be military and civilian pressure on Onganía to put the statists in charge of economic policy. We think that initially, at least, he would resist such pressure. If conditions did not improve, however, he probably would give the statists their chance. Such a shift would be politically popular. It would mean, however, that Argentina would be reverting to an urban-oriented economic nationalism which would tend to renew the country's foreign exchange problems, discourage foreign capital investment and pose obstacles to long run economic progress.

32. We believe, however, that Onganía will continue to hold power over the next year or two. No great enthusiasm for him or his government is likely to develop among the general public, but there will probably be much more apathy than outright opposition. The traditional political parties will undoubtedly seek to exploit such discontent as exists, but we think that they will have only limited success. Many among the intellectuals will continue to be antagonistic toward Onganía, and the administration will almost certainly encounter additional friction in its dealing with labor.

[REDACTED]

33. But the very elements in the political sphere which are most likely to become active in their opposition to Onganía—e.g., some groups among the Peronists, among the Radicals, and perhaps among the Communists—are the least likely to find support or sympathy for their views among the military. Thus, if there is a short-run threat to Onganía, almost certainly it lies in the military establishment itself. Here Onganía must proceed with considerable caution in order to maintain a balance among the senior officers and among the views they hold. He has, however, several things in his favor: (a) He is clearly aware of his need to retain the backing of key officers, and, as former commander in chief of the Army, he has close knowledge of the individuals he is dealing with; (b) he can control retirements and transfers so as to keep officers loyal to him in the most important commands; and (c) no one in the officer corps at present has the prestige or support that Onganía possesses. And if Onganía can show some progress toward securing the return of the Falkland Islands (Islas Malvinas) from the UK, his prestige will be enhanced.

#### B. The Longer Run

34. We think that the government's economic program has the elements necessary for sustained, long-term economic growth. While that program is taking effect, the Onganía administration does have the advantage of a favorable credit position abroad and sizable monetary reserves to help it ride out a crop failure without sharply disrupting longer range development. Continuity in government economic policies for five years—and perhaps more—will probably be necessary to alter the inflationary psychology and skepticism that have developed during years of “stop-go” approaches to the solution of deep-seated economic problems. All participants in the economic life of the country must be convinced that the incentives—and rules—that exist today will continue into the future before they will change their patterns of investment, production, and consumption.

35. Over this longer period, however, Argentina's economic and political problems will become increasingly intertwined, no matter how much the government tries to keep them separate. Either economic successes or failures are likely to have heightened impact on political development: failures will produce pressure for changes in personnel and policies, and successes will heighten demands for elections and a return to representative government. Finally, as time passes, Onganía is likely to have increasing difficulty in maintaining military unity and support.

36. For these reasons, and because of the instability inherent in Argentine politics, we believe that Onganía's hold on power will eventually begin to slip, and, at the least, he will come under increasing civilian and military pressure to return to civilian rule. At this stage, there would be some increase in the danger that he might resort to more repressive methods of rule, and that this in turn, could produce further demand for a change of government.


[REDACTED]

37. Assuming he continues in the Presidency, it is not clear what kind of successor government Onganía may eventually favor. He has not finally committed himself to the political solutions advocated either by the "liberals" or the "nationalists." It is clear, however, that he does not intend to return to the multiparty system which the military overthrew in June 1966; and he may lean toward indirect rather than direct elections for President. Furthermore, Onganía apparently expects the traditional party leaders somehow to "fade away" and be replaced by new and more capable leaders of a two-party system into which the Peronist can be absorbed.

38. Whatever else may occur, the gut issue for Argentine political progress will be when and how the Peronists can be restored as acceptable members of the body politic. Political consensus will be difficult enough when and if this takes place; without its achievement, consensus will be impossible. Onganía has mentioned his hopes on this score, but clearly more time must pass before practical steps can be taken. If Perón were to die soon the chances for fairly rapid progress on the Peronist issue in Argentina would go up significantly. By and large, those among the Peronists who preach "Peronism without Perón" are the more flexible leaders in the movement and more acceptable to other Argentines. An arrangement could probably be managed with other political parties and with military leaders to permit groups which these men headed to come back in out of the political cold. Yet only part of the problem will be solved when the forms and organizations of Peronism are no more; there will remain the matter of somehow accommodating the attitudes and aspirations of a broad sector of the population which had it unusually good before and wants to have it unusually good again.

39. We do not believe, however, that even over this longer period of time Argentina will establish a representative system of government capable of reaching a consensus on policies and tactics for dealing with its social and economic problems. Some of those problems, of course, cannot be solved in four or five years. A reasonable degree of economic success for the Onganía government will depend upon its ability to maintain continuity in its policies and to retain public confidence in their durability. We believe that the government's chances of remaining in power over this longer period are considerably better than even, but we are less confident that it will be able to adhere firmly to a successful economic policy.

40. We do not expect much change in the traditional Argentine foreign policies of noninvolvement in great power struggles and resistance to any encroachment on Argentine sovereignty. The strongly anti-Communist views of the Onganía administration have caused some shift from the strong stand Argentina has usually taken on nonintervention. Thus the Onganía administration will be much more sensitive than its predecessors to situations in Uruguay, Bolivia, and other neighboring countries where forces it identifies as extreme leftist might pose some threat. It would, for example, not long hesitate over intervening in Uruguay should Castro-Communist elements appear to be on the verge of taking over there. It would, however, probably seek to act jointly with Brazil.



41. The present administration's strongly anti-Communist leanings will continue to be a force for Argentine cooperation with the US. One issue which could affect relations would be a refusal by the US to carry out what the Argentine military establishment considers to be a commitment to assist in the modernization of their armed forces. Thus far, Onganía has been able to persuade the military leaders that they should set an example in sacrificing for the national program; in particular he has dissuaded them from arranging the purchase of some items of equipment from Europe. He is committed, however, to providing other items such as medium tanks and naval equipment, for which negotiations are being conducted with France and other European suppliers. Moreover, military pressure for more modern weapons will continue and could become entirely unmanageable should the US not be willing to supply what the Argentine military regards as its minimal requirements. In the event that an Argentine President has to choose between antagonizing his military support or the US, US-Argentine relations will almost certainly be the loser.

42. Another issue which might cool US-Argentine relations would be a prolonged delay—or failure—of the World Bank to provide assistance for the El Chocón project. Many Argentines would believe that the US was responsible.

**ANDEAN**  
27% Territory  
14% Population  
14% Electorate

**NORTH**  
16% Territory  
11% Population  
9% Electorate

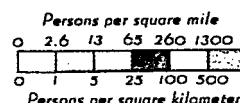
**CENTRAL-EASTERN**  
33% Territory  
73% Population  
75% Electorate

**METROPOLITAN  
BUENOS AIRES**  
0.1% Territory  
32% Population  
34% Electorate

**SOUTH**  
24% Territory  
2% Population  
2% Electorate

## ARGENTINA

Territory 1,100,000 square miles  
(excluding Antarctic and Atlantic  
islands)  
Population 23,235,000 (1967 estimate)  
Electorate 12,000,000 (approximate)  
Gross National Product \$15,810,000,000 (1966, in 1965  
constant prices)



Population density data from 1960 census.

57531 11-67



S

# CENTRAL INTELLIGENCE AGENCY

## DISSEMINATION NOTICE

1. This document was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, Department of the Army, for the Department of the Army
- d. Assistant Chief of Naval Operations (Intelligence), for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, USAF, for the Department of the Air Force
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Director of NSA, for the National Security Agency
- i. Director of Central Reference, CIA, for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text should be classified:

~~FOR OFFICIAL USE ONLY~~

### DISTRIBUTION:

White House  
National Security Council  
Department of State  
Department of Defense  
Atomic Energy Commission  
Federal Bureau of Investigation



~~SECRET~~  
~~CONTROL DISSEM~~

~~SECRET~~  
~~CONTROL DISSEM~~