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MEMORANDUM FOR: See Distribution List

FROM: [redacted]
Director of Global Issues

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SUBJECT: Argentina: Scenarios of Dramatic Political
Change [redacted]

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1. This memorandum presents a number of possible scenarios that could lead to the ouster of President Alfonsin or other dramatic change in Argentina. It thus complements Intelligence Community assessments and estimates that focus on probable further developments in Argentina. The analysis, purposely provocative, aims to make explicit and bring to the forefront of our thinking the diversity of challenges that could force political change in Argentina in the years to come. Because the analysis out of context is susceptible to misunderstanding, external distribution has been severely restricted. Please limit circulation in your office and do not reproduce the document. Your thoughts on the analysis and suggested indicators are welcome. [redacted]

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2. We will send you similar papers on other countries as they are completed. [redacted]

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Attachment:
Argentina: Scenarios of Dramatic
Political Change [redacted] (GI M 86-20105L),
1 May 1986, [redacted]

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SUBJECT: Argentina: Scenarios of Dramatic Political Change
(GI M 86-20105L) [redacted]

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OGI/FSIC/PI [redacted] (1 May 86)

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ARGENTINA: SCENARIOS OF DRAMATIC POLITICAL CHANGE*

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PREFACE

This memorandum explores alternative scenarios that could lead to the ouster of President Alfonsin or other dramatic change in Argentina. Specifically, it seeks to clarify the individuals and groups that might attempt to seize power, circumstances that could impel a takeover attempt or major policy shift, and indicators that would suggest specific scenarios are unfolding. The analysis, purposely provocative, does not attempt to predict the likelihood of specific outcomes other than in the broadest sense. Rather, it provides a structured way of thinking about possible dramatic political change in Argentina on the basis of observable events and thus a greater ability to recognize the potential implications of key developments.

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SUMMARY

President Alfonsin has weathered two years in office with his popularity intact. His Radical Party is the country's leading political force, while its chief rival, the Peronist Party, is in disarray. Nonetheless, relations with the military remain tense. According to the US Embassy and other reporting, Alfonsin's efforts to cut the budget of the armed forces and put former junta members on trial for human rights violations have fueled military resentment and sporadic reports of coup plotting. The economy also has been a persistent problem. The "Austral Plan", introduced last June, checked hyperinflation but at the expense of a recession. Labor pressure has grown as unemployment has risen, and

*This memorandum was prepared by [redacted] Foreign Subversion and Instability Center, Office of Global Issues. Information available as of 7 April was used in this report. Comments and queries are welcome and may be addressed to [redacted] Chief/Political Instability Branch, OGI [redacted]

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businessmen, farmers, and government workers have criticized various aspects of the regime's economic policies. [redacted]

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If inflation surged and labor and middleclass protests over deteriorating living standards intensified, we believe Alfonsin might conclude that his only remaining option was to adopt highly nationalistic economic policies. In order to bolster his political standing, he would try to shift the blame for Argentina's problems to the United States and international banks, perhaps acting with other regional debtors to suspend some or all foreign debt interest payments. Such a move probably would bolster Alfonsin's political standing significantly over the short term, but over the long term the effects of creditor sanctions and lack of trade with the West would cause the economy to decline and unemployment to grow. If strong opposition to Alfonsin developed, senior military commanders might move to oust him from office. [redacted]

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In our view, the unprecedented emergence of a stable two-party system also could occur during the next few years if the Peronists regrouped under reformist leaders and presented themselves as the loyal opposition. For this scenario to succeed, economic conditions first would have to improve in order to mitigate Radical Party factionalism, undercut the popular appeal of extremist solutions, and bolster confidence in civilian rule. In addition, Alfonsin would have to smooth over relations with the military and further depoliticize the armed forces. [redacted]

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We believe a junior officers' coup is less likely, but possible. [redacted]

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[redacted]

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[Redacted]

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Potential

triggers include an extension of the trials for human rights abuses, slashes in the military budget, and organizational changes made without consulting the armed forces. [Redacted]

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It is conceivable, but we judge highly unlikely, that both major parties might begin to lose support as an incipient leftist movement began to capitalize on popular discontent. Under such conditions, the Intransigent Party would be well positioned to spearhead a leftist resurgence and to function as a political front group for leftwing groups committed to violence. We do not believe, however, that the military would allow such a movement to develop momentum; more likely, it would press Alfonsin to crack down on all leftists. If Alfonsin insisted on distinguishing between legitimate and illegal opposition, however, rightwing officers might remove him. [Redacted]

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US interests, in our view, would be best served by the evolution of a stable two-party system. The emergence of two mainstream parties and the depoliticization of the military would be a major triumph for the democratic process. It is unlikely, however, that future democratic governments would renounce Argentine claims to the Falklands or abandon the nuclear program.

[Redacted]

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Alfonsin's ouster by the military would undercut US interests by setting back the trend toward democratic government in Latin

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America. Moreover, the economic mismanagement of the previous juntas suggests that it would not be any easier for a military government to implement an effective economic program and finance the debt. We believe a government led by the military high command would want to maintain good relations with the United States, but a regime led by junior or rightwing officers would be highly nationalistic. Such officers, in our view, would be more likely to take risky action on the debt. [REDACTED]

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THE PRESENT SCENE

Raul Alfonsin has weathered two troubled years as Argentina's first civilian president since 1976. Alfonsin has remained highly popular since he took office in December 1983 and receives favorable ratings of over 50 percent in opinion polls. Inroads made by his Radical Party in the provinces in midterm elections last November confirmed its standing as the country's dominant political force. [REDACTED]

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The return to civilian rule and the Radicals' victory in 1983 sent the Peronists and the military--Argentina's traditional power brokers--into eclipse. Expectations of some political observers that Alfonsin would spearhead a new mass movement and displace Peronism have proven premature, however. Although Alfonsin's party attracted many votes from the working class--the Peronists' traditional constituency--in the 1983 election, Peronist candidates still polled a third of the vote last November. This relatively respectable showing indicates, in our view, that Peronism retains considerable vitality and popular appeal. Moreover, Argentina's

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[redacted]

powerful labor unions remain heavily Peronist, and some Peronist leaders still control strong political machines. [redacted]

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We believe the military, similarly, may be down but is not out. Alfonsin took power determined to depoliticize the military, and his moves have fueled hostility in the officer corps. In the most dramatic step, nine former junta members--including three past presidents--were put on trial for human rights abuses committed during the "dirty war" against subversives in the mid-1970s. According to the public record and US Embassy and defense attache reporting, Alfonsin also placed the military under civilian command, purged the general officer corps, and slashed the military budget in half. [redacted]

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We believe Alfonsin hoped to placate the military by putting subversives on trial and by making other symbolic gestures, but his relations with the armed forces have deteriorated steadily.

[redacted]

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The massive budget cuts reportedly also have heightened military concern about declining capabilities and reduced pay, and officers are agitated by plans to restructure the services that would emphasize a clear military--rather than internal political--mission. According to the US Embassy and other reporting, many also have expressed concern about the specter of resurgent leftist terrorism--which we believe is unlikely--and the belief that the government is being

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taken over by leftists, a claim often used in the past to justify coups. [redacted]

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The economy has been Alfonsin's other preoccupation, and his policies have produced similarly mixed results. Alfonsin inherited an economy in a shambles. Inflation--a chronic problem--was at 400 percent and the foreign debt totaled over \$40 billion. In June 1985 he introduced a new economic program--the "Austral Plan"--that imposed wage and price controls. By September, inflation was slowed to 2 percent a month. [redacted]

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The Austral Plan has been highly popular, but its success against inflation has come at the expense of a recession. According to the US Embassy, the economy declined by 4 percent in 1985. Labor criticism and strikes over rising unemployment and real wage declines have grown, and we believe some government bureaucrats will resist privatization efforts that threaten their jobs. Businessmen probably will press the government even harder to remove price controls and provide greater access to credit. In addition, farm groups are likely to step up criticism of insufficient credit, high interest rates and export duties, and low producer prices. [redacted]

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Moreover, Alfonsin's tenure has not altered other, less tangible realities that traditionally have contributed to instability in Argentina. According to the US Embassy, many Argentines are frustrated over their country's inability to advance with the industrialized North over the past 60 years. The resulting impatience has contributed to a tendency among Argentines to change position quickly and even seize and support outlandish positions. Additionally, various sectors of society have yet to



develop a stake in the political system. The military, in particular, still considers itself a "caste apart"; other organizations, such as the conservative parties, have been too weak to represent their members' interests effectively.

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Argentina also has a history of violence which is never far from the surface. Although organized, sustained terrorism has been absent for a decade, incidents of violence preceded the midterm election last November and became a political issue. The violence has since abated, but the US Embassy says the reason why is unclear and that the potential for violence still exists. Over the near term, we believe any antiregime violence is more likely to be initiated by rightwing extremists than by the weaker radical left. We believe their motive would be to produce a climate of uncertainty, to discredit the regime, and to provoke a military coup.

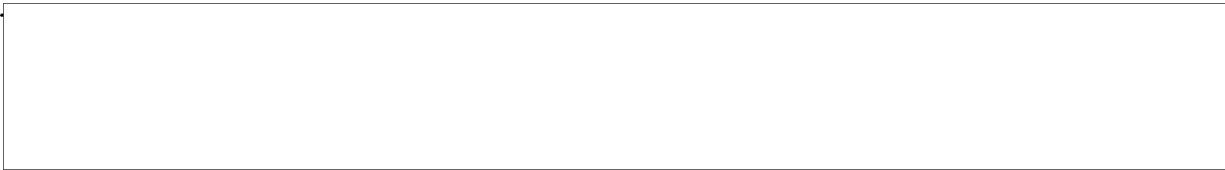
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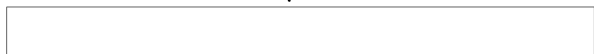
GROUPS CAPABLE OF SEIZING POWER AND OTHER MAJOR ACTORS*

The Armed Forces

The military has suffered from persistent factionalism and Alfonsin's austerity measures. According to defense attache and press reports, sharp cuts in military salaries and benefits have prompted an exodus of personnel from all three services, and operational readiness has suffered from cutbacks in training, maintenance, and logistics. Personnel levels, for example, were



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[redacted]

reduced by more than half, from 157,400 in 1982 to 74,300 in 1985. For the first time in many years, Argentina in 1986 will have a smaller army than its neighbor and traditional adversary Chile, a situation once considered unthinkable by the Argentine military. [redacted]

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The Falklands defeat also highlighted longstanding animosity among the Navy, the Air Force, and the politically and militarily dominant Army. According to the US Embassy, the war worsened existing divisions by sparking mutual recriminations and by driving a wedge between the Air Force--which believed that it alone had fought creditably--and the Army and Navy. [redacted]

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Alfonsin's controversial policies have provided the military with a common enemy, however. There were sporadic reports of coup plotting [redacted] last year, suggesting the development of three incipient, partially overlapping cabals:

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- o Middle- and junior-grade Army officers, some of whom are as disenchanted with the high command for not standing up for their services as they are with the government. According to the US Embassy, officers below the rank of colonel generally are more willing to confront the government.
- o Retired officers, especially Generals Ramon Camps and Luciano Benjamin Menendez, both of whom face charges of human rights violations.
- o Segments of the Army high command. [redacted]

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Prospects for a successful coup in the near term, however, are dampened by the lack of powerful civilian allies and of popular support for a takeover. We believe the military has been seriously discredited in the eyes of the population by its previous involvement in the "dirty war", gross economic mismanagement, and loss of the Falklands. Alfonsin's popularity also undercuts support for a coup, and Argentina is not racked by the social and

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economic chaos that traditionally has preceded takeovers. In addition, the armed forces lack a leader capable of unifying the plethora of factions in the services. [redacted]

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The Radical Party

Alfonsin's party--liberal, center-left, and social democratic--is the best organized and most dynamic political force in the country, in our view. Although the Radicals' share of the total vote in Congressional elections declined from their 1983 total of 48 percent, the party still polled well last November, winning 43 percent. It expanded its control in the lower house of Congress by an additional seat, won several provincial races, and improved its chances of gaining control of the upper house of Congress later this year. [redacted]

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The Radical leadership also has managed to keep persistent factionalism under control, in our view, but important schisms remain. According to US Embassy and press reporting, differences over economic policy, foreign policy, and how to deal with the Peronists and the military divide the party into rightist, moderate, and leftist factions. Alfonsin's moderate and conservative supporters favor continuation of the austerity measures and limiting the trials of military officers to the junta members and a handful of other offenders. Younger and more leftist party members, however, are pushing for more expansionary economic

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policies--which Alfonsin himself at one time publicly supported-- and trials of all military officers accused of human rights violations. Alfonsin dominates the party because of his popularity and the power of his office, and while no one openly opposes him, his opponents are quietly promoting alternatives should his moderate approach fail. [redacted]

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The Peronist Justicialist Party

The Peronist Party is still very popular but has been adrift since Juan Peron died in 1974. Peronist candidates captured 35 percent of the vote in November but lost 10 seats in Congress and control of two provinces. Moreover, dissident party leaders ran a separate slate of candidates. The dissidents--generally moderates who want to reform and democratize the party--are trying to replace the coterie of discredited political and labor bosses who are the party's official leaders. So far this "reformist" faction has lacked the unity and organization to mount a successful nationwide challenge to the leadership, but its separate list of candidates outpolled the officialist slate in Buenos Aires Province in November. [redacted]

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Meanwhile, [redacted] some of the reactionary leaders--particularly secretary general Herminio Iglesias--may be involved in subversive activities.

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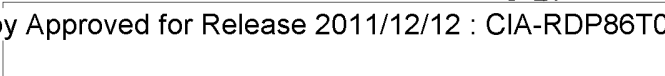
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The US Embassy reports it cannot dismiss the possibility that he might be involved in coup plotting, and we believe Iglesias would support a takeover if he thought it would bring him to power. [redacted]

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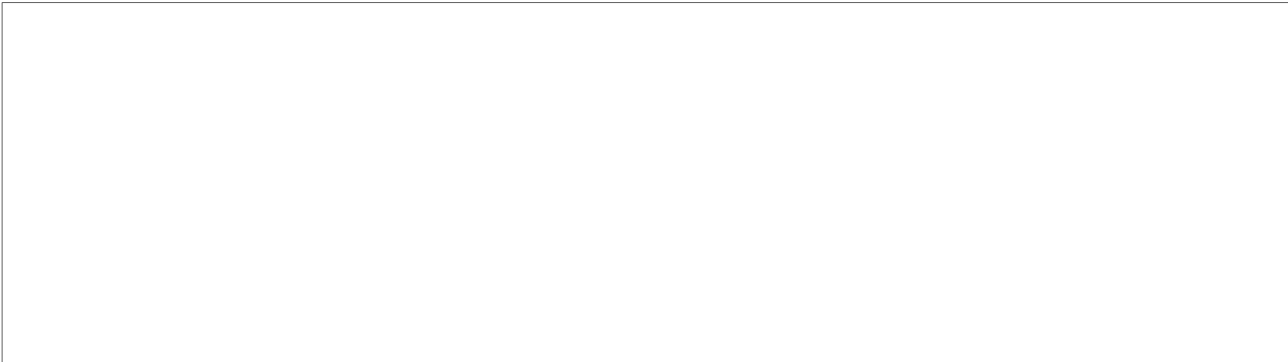


Labor

Labor is highly politicized, powerful, and largely Peronist. According to the US Embassy, unions represent about a third of the work force, are well-organized, and are financially strong; most belong to the umbrella General Confederation of Workers. Until recently, labor had not seriously challenged Alfonsin. The labor federation is factionalized, with divisions largely reflecting the disarray in Peronism. The success and popularity of the Austral Plan initially took the wind out of labor's sails, but criticism has intensified since September when Saul Ubaldini was named the federation's sole secretary general and more moderate leaders were removed. Ubaldini is eager to confront the government, and we believe his aggressive stance has been welcomed by the rank and file impatient with the federation's previous moderation.  25X1

Minor Actors

Rightwing extremists are more likely to resort to violence than the far left, according to the US Embassy. They include former members of the military regimes' security forces who are still armed or have access to weapons and explosives. The groups involved--including the Brigade 10 and the Argentine Anti-Communist Alliance --are generally small, scattered, and autonomous.



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[REDACTED]

Radical left terrorists were a formidable threat in the early 1970s but were decimated by the "dirty war" and are in disarray. The two main groups--the Montoneros, a breakaway from Peronism, and the People's Revolutionary Army--are small and factionalized, receive little foreign support, and have limited popular appeal. Moreover, their leaders are in exile or imprisoned. Although both groups have abjured violence, we believe it is only a temporary expediency to allow time to rebuild and avoid rightist reprisals. We believe violence by dissident elements of either group impatient with their leadership's cautious approach is possible, as is a concerted response to any future attacks from rightwing extremists.

[REDACTED]

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According to press reports, both groups also have begun to set aside longstanding ideological disputes and to work together.

[REDACTED]

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The Intransigent Party is the only party on the left to have grown over the past two years. It polled well in November and doubled its representation in the Congress to six seats. We believe many party members are middle-class socialists, but left-leaning workers and other middle-class voters alienated by Peronist infighting also find the party's nationalist, populist rhetoric attractive. Moreover, the US Embassy and the press report that since 1983 the party has attracted numerous hardcore Marxists who have helped party radicals defeat moderates in recent internal party elections. Some evidence also exists that members of the

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People's Revolutionary Army have infiltrated the party and now hold top posts. [REDACTED]

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SCENARIOS OF DRAMATIC POLITICAL CHANGE

Five scenarios are presented below. The first outlines the path a succession crisis could follow. The others examine possible mechanisms for Alfonsin's ouster or other dramatic political change in Argentina. Following each scenario is a list of indicators--a series of observable events--which signal milestones in the scenario's progression. Like a major road from which a number of forks can be taken, several scenarios share some of the same signposts. Each scenario though is likely to manifest these common indicators in different combinations along with other indicators that are unique. Hence, the observation of some indicators may merely suggest a general direction while others may represent major turning points. [REDACTED]

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Alfonsin Dies or Is Incapacitated

If Alfonsin were to die or be incapacitated, the Constitution specifies that his more conservative Vice President, Victor Martinez, would succeed him. We believe the transfer of power would proceed smoothly, but Alfonsin's departure could precipitate a power struggle within the Radical Party. In the economic arena, more statist members would press Martinez for a return to the party's traditional commitment to social equity and economic growth. Those on the right would push for more rapid decontrol of prices and trade liberalization. Martinez would face similar opposing pressures on how to deal with the opposition as well as the military, in our judgment. [REDACTED]

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Martinez could have difficulty exercising leadership, especially if economic conditions deteriorated, because he lacks charisma and is not as politically astute as Alfonsin. Political paralysis could set in if he proved unable to impose party discipline or--more important, albeit less likely--repeated

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[redacted]

Alfonsin's early mistake of vacillating between the competing groups. The legislative process--already slow--then could get hopelessly bogged down as Radical leaders were forced to focus on mustering the votes of their own representatives. Tensions between the executive and the legislature would increase, and Martinez would have to devote a major effort to keep the government functioning. [redacted]

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Indicators of the Developing Scenario

- o Alfonsin dies or is incapacitated and is succeeded by Vice President Martinez.
- o Leftist and doctrinaire statist Radical Party members, such as former Economic Minister Grinspun, openly criticize the economic plan, press for more statist policies, and urge Martinez to revamp Alfonsin's economic team.
- o Economic Minister Sourrouille and other supporters of Alfonsin try to block the initiatives of the statist, warning Martinez of renewed inflation.
- o The economy remains stagnant or deteriorates, and labor protests mount.
- o Statist members intensify criticism of Martinez and austerity and vote against government positions in the legislature.
- o The legislature gets bogged down over issues such as sales of government-owned industries, interest rate ceilings, and tax reform, and Martinez is preoccupied with Radical Party infighting. [redacted]

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Economic Problems Propel Alfonsin on a Nationalist Course

We believe Alfonsin could decide to adopt a highly nationalistic course if he believed that protests over his economic policies jeopardized his ability to remain in office. We believe such a move would be a last resort after intermediate measures proved insufficient. [redacted]

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Alfonsin faces a major challenge in trying to revive the economy. We believe he will try to avoid major pump-priming policies because they would boost inflation and risk stirring up criticism if gains were unequally distributed. However, under pressure from labor, business, and statist Radicals, he could resume his previous practice of providing selective concessions in an attempt to mollify their concerns. In our view, Alfonsin can safely grant labor a series of small wage increases if he maintains a tight money policy. If he bows to pressure to create jobs, loosen monetary policy, or increase government spending, inflation probably would increase, in part through the larger deficit, but also by reigniting inflationary expectations. [redacted]

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Labor activism would resume if real wages fell precipitously as inflation took off. Workers' protests also could attract middleclass support if rising prices undercut living standards and fueled fears of hyperinflation. At the same time, Alfonsin could come under pressure from the IMF and other international creditors alarmed at his economic policies. Alfonsin's position would become especially tenuous if a sensitive political issue, such as a corruption scandal or a major legislative battle over a proposed divorce bill, erupted simultaneously. [redacted]

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With the Austral Plan totally discredited, problems with international creditors looming, and his political position eroding, Alfonsin might look for a dramatic gesture to bolster his support. He might announce an "Argentina first" campaign, reasoning that the political benefits of rallying the population outweighed the costs of returning to austerity and staying in the

[redacted]

creditors' good graces. Alfonsin then would blame Argentina's economic plight on external factors beyond his control, such as the trade and monetary policies of the industrialized countries. He also could declare that an unjust international economic order threatened Third World democracy and stability. This would provide him with justification for abandoning Argentina's agreement with the IMF and suspending some or all debt servicing. [redacted]

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Alfonsin's gamble could pay off politically and bolster his standing over the short term. Nationalist appeals generally go over well with Argentines, and labor concerns would be satisfied if wage increases accompanied debt repudiation. Moreover, Argentina probably could weather a cut-off of Western credit in the short term. The country is nearly self-sufficient in oil and food and enjoys substantial trade relations with Third World and non-Western partners, including the USSR. [redacted]

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Such a dramatic policy shift by Alfonsin could backfire over the longer term, however. We judge that a cut-off of Western credit that disrupted Argentine trade--particularly if imports dropped by more than 25 percent--would cause the economy to decline and unemployment to grow. At a minimum, we believe it would feed the inflationary psychology. Under these circumstances, we believe the initial enthusiasm for Alfonsin's nationalist course would dissipate quickly. If labor protests resumed, Alfonsin's new policy initiative would have accomplished little. Moreover, he would face serious opposition from the right, especially businessmen hurt by the loss of trade credits with Western partners. [redacted]

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[redacted]

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Military anxiety would grow if the economy continued to founder, protests intensified, and Alfonsin appeared to have run out of options. Evidence that the president was losing support from all quarters could make the high command receptive to appeals from conservative businessmen and rightist Peronists that they should intervene for the good of the country. The joint chiefs then would demand that Alfonsin step down and impose a senior officer or a conservative civilian puppet as his successor. [redacted]

Indicators of the Developing Scenario

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- o Alfonsin announces labor wage hikes and introduces labor-intensive public work projects.
- o The administration loosens credit restrictions, and interest rates fall.
- o The deficit grows, inflation picks up, and large segments of the middle class support work stoppages and antigovernment rallies.
- o Alfonsin fires Economic Minister Sourrouille, Foreign Minister Caputo, or Finance Secretary Brodersohn.
- o Alfonsin announces a new self-sufficient economic program, blames Argentina's problems on Western creditors, and asks Latin governments to support Argentina in taking more radical action on debt service.
- o Alfonsin announces a suspension of debt service and grants wage hikes to labor.
- o Alfonsin renegotiates his long term grain and trade agreements with the Soviets to expand trade.
- o Polls show greater approval ratings for Alfonsin, and editorials uniformly applaud the government's action.
- o Inflation edges up, consumer shortages appear, black market activity grows, and Alfonsin's approval rating falls.

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Stable Two-Party System

Consolidation of a stable democratic system in Argentina has been elusive. Parties have been factionalized and mutually

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mistrustful, and the armed forces are seen as a legitimate political actor. These obstacles are of long duration and part of the political culture but, in our view, not necessarily immutable. Over the next few years, the Radical and Peronist parties may be able to overcome them and lay the foundation for stable democracy. [redacted]

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The Peronist renovators now appear to have a chance of gaining control of their party. Their November victories over the officialist leadership could set the stage for a unified push to take over the party through internal elections. We believe the new leadership would include:

- o Antonio Cafiero, whose slate bested that of Iglesias in Buenos Aires Province.
- o Carlos Grosso, the head of the party in Buenos Aires.
- o Carlos Menem, the reelected governor of La Rioja province who enjoys good relations with Alfonsin.

The officialist faction subsequently might bolt the party, but the overwhelming preference for the reformists and the bandwagon effect probably would keep most of the rank and file loyal to the new leadership. [redacted]

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The reformists then would begin the process of democratizing the party and developing a platform with broader appeal. We believe they would be able to recapture the middle class as well as independent and centrist voters whom the party needs to regain prestige and influence and who are alienated by the leadership of Iglesias and the party's First Vice President, Vicente Saadi. The new leaders also would seek to improve the party's organization at the shop level in order to reverse the gains that the Intransigent

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[redacted]

Party has made with labor groups. Ultimately, the new leadership would set the party up as a loyal opposition to the government.

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Meanwhile, the Radicals would continue to revitalize their own party. We believe the economy first would have to stabilize and begin to grow in order for the Radicals to resolve their internal disputes and establish popular confidence in civilian rule.

Economic growth would bolster Alfonsin's standing in the party and undermine the position of those advocating more statist policies.

Private sector growth also could increase the party's appeal to the conservative upper class, giving them a stake in a major party for the first time. Moreover, a revitalized economy and an administration that functioned relatively smoothly would heighten popular support for the government and erode support for military

intervention. [redacted]

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For such a scenario to succeed, we believe Alfonsin would have to make major progress in depoliticizing and reforming the military. Tensions with the armed forces could be reduced by issuing some form of an amnesty for officers charged with human rights abuses, and new allocations could be made to the military budget as the economy improved. Meanwhile, Alfonsin would force coup plotters to retire while convincing the lower ranks that he would not carry out a wholesale purge. Military commanders would allow Alfonsin to implement a revised military academy curriculum emphasizing civilian control of the forces and external, rather than domestic, security responsibilities. [redacted]

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[redacted] 25X1

Ultimately, the stage would be set for power to pass from one party to the other on the basis of elections. The emergence of two capable, mainstream political parties would undermine the appeal of extremist groups, and smaller parties eventually would dissolve or merge with them.

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Indicators of the Developing Scenario

- o The reformist faction wins elections to leadership positions in the Peronist Party, tones down antigovernment rhetoric, and disciplines members with ties to coup plotters.
- o Labor activism is limited to criticism of economic issues, and labor leaders eschew political demands and rhetoric.
- o Inflation remains low, the economy grows, and reports indicate that Radical Party factions are cooperating in formulating government policy.
- o Conservative businessmen tell government officials that they approve of Alfonsin's policies, and opinion polls indicate greater confidence in civilian government.
- o Government leaders bargain in good faith with labor leadership, and the Congress becomes an effective policy-making institution.
- o The human rights trials are not extended to the lower ranks, military salaries are increased, coup plotters are allowed to retire honorably, and officers state that the administration is treating the armed forces with more respect.
- o The ranks of the Intransigent and other extremist parties dwindle as their members join the Radical and Peronist parties.

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Junior Officers Coup

Discontent in the lower ranks of the armed forces already is extensive and could reach critical proportions if junior officers believed their services were under growing and unjustified attack from the administration. Although we believe Alfonsin is aware of the hostility that already exists, he could bow to political

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[redacted]

pressure--particularly if the 1987 gubernatorial elections were approaching--to take additional measures against the armed forces. Potential triggers which we believe would intensify coup plotting and provoke junior officers to rebel include:

- o Trials of junior and midlevel officers for human rights abuses.
- o More arrests for coup plotting similar to those last October.
- o Organizational changes in the armed forces made without prior consultation or which abolish the military's role in key areas, such as intelligence.
- o Further deep, across-the-board cuts in the military budget.

Moreover, hostility toward the military leadership--for example, for failing to defend their services from such regime actions--would have to be intense enough for lower-ranking officers to disregard efforts of the high command to impose discipline and to take matters into their own hands. [redacted]

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A series of rebellions and mutinies could occur shortly after any of these triggers. Army officers at or below the rank of lieutenant colonel might lead garrison revolts in Buenos Aires, for example, or a key province such as Cordoba, Mendoza, or Santa Fe. Anger at the government could be intense enough to supercede interservice divisions and prompt various factions to cooperate. Moreover, a charismatic officer might emerge from a successful local rebellion to provide leadership for a concerted coup attempt. [redacted]

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Rebellious units that moved against the government would meet with little resistance if their rejection of and anger against the government were shared by other segments of the armed forces as

well as the police. Under these circumstances, it is unlikely that Alfonsin could count on any major units to defend his administration. In an alternative outcome, the high command might realize that the junior officers were on the verge of rebelling and that the potential for postcoup violence was high. The joint chiefs then would remove Alfonsin in order to preclude a junior officer takeover and restore military discipline. [redacted]

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Indicators of the Developing Scenario

- o Junior officers are arrested as terrorists or ordered to stand trial for human rights abuses.
- o Major cuts are made in the military budget, and pay and benefits are slashed.
- o Members of the high command voice little or no opposition to the government or are dismissed if they do.
- o Army officers at or below the rank of lieutenant colonel hold a flurry of meetings and try to enlist the support of Navy and Air Force officers; reports of coup plotting increase.
- o Rebellions occur at garrisons in key provinces.
- o A charismatic officer rallies dissident forces in the military and coordinates the deployment of Army units around Buenos Aires.
- o Police and military units assigned to defend the government offer ineffective resistance to a takeover attempt. [redacted]

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Leftist Resurgence and a Rightwing Officers Coup

A strong leftist movement might develop over the long term if the various groups on the left--both legal and illegal--cooperated to capitalize on a decline in the popularity of the two major parties. If Alfonsin's austerity measures failed to turn the economy around, support for the Radicals could begin to evaporate. The Peronists also might begin losing supporters if their leaders

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were too preoccupied with internal party politics to offer more than lackluster criticism of the government's economic policies.

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With its more radical leftist program, the Intransigent Party would be in a good position to court disaffected voters. The party would step up antigovernment rhetoric, launch recruitment drives, and work to extend their presence among workers at the shop level. The Intransigents also could try to expand their legislative base by securing the support of minor leftist parties and leftist Peronists. [redacted]

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With the party's popular base expanding, infiltrated members of the People's Revolutionary Army would move to secure their hold on the leadership and edge moderates out of party posts. Party founder Oscar Alende, however, might be left as a figurehead. With a political front in place, leaders of the People's Army would be emboldened to begin planning a return to the armed struggle. A tactical alliance with the Montoneros would be formed to mount a concerted challenge to the government, and recruitment and training would be stepped up. Appeals for support would be made to radical governments including Cuba, and funds would be obtained through robberies and kidnappings. [redacted]

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We expect that the potential for political violence would grow even before the leftist movement resumed armed action. Strikes and rallies easily could turn violent, and extreme rightists probably would step up death squad activity. Alfonsin would allow the security forces to crack down on the People's Army and Montoneros, but he probably would order them to repress the death squads as well. Moreover, Alfonsin might resist military pressure to repress

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the Intransigents, preferring to maintain a distinction between legitimate and illegal opposition. Rightwing military officers might be less inclined to differentiate. If security continued to deteriorate, they might oust Alfonsin. [redacted]

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Indicators of the Developing Scenario

- o Austerity continues, and the popularity ratings of Alfonsin and the Radical Party fall.
- o Union members complain that the labor federation is ignoring them and argue that more forceful leadership is needed.
- o The Intransigent Party steps up criticism of the government, holds large political rallies, and coordinates successful nationwide labor strikes.
- o Members of the People's Army take control of key leadership positions in the Intransigent Party.
- o Reports proliferate that the Intransigents, People's Army, Montoneros, and other leftist groups are stepping up and coordinating their recruitment, training, and funding activities.
- o The far right attacks leftist targets, and the Montoneros and People's Army retaliate with bombings and kidnappings.
- o Alfonsin orders the armed forces to repress rightwing terrorists as well as the radical left.
- o Ultranationalist officers remove Alfonsin. [redacted]

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IMPLICATIONS FOR US INTERESTS

Alfonsin's tenure generally has been beneficial for US interests, particularly in the area of democracy and human rights. A staunch proponent of civilian rule, Alfonsin has said publicly that he hopes to consolidate democracy by completing his term and handing power to a freely elected civilian successor. His commitment to human rights is equally strong--he identified

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himself with the human rights movement long before it was popular or safe--and he has carried through with the trials of the junta members. [redacted]

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Alfonsin's economic policies--an equally critical area for the United States, in our view--also have been generally favorable. Alfonsin has continued to honor Argentina's obligations to service its \$50 billion foreign debt, and creditors publicly have praised the success of the Austral Plan in lowering inflation. However, Buenos Aires has been reluctant to agree formally to participate in the plan outlined by US Treasury Secretary Baker. [redacted]

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On other issues--nuclear nonproliferation, the Falklands, and Argentina's foreign policy orientation--improvements have been more limited from the US perspective. Although the nuclear program has been scaled back because of austerity, the US Embassy reports that sensitive programs have continued to receive funding and that Argentina still refuses to accept full-scope safeguards. Moreover, Alfonsin has continued to press Argentine claims to the Falklands and has moved to expand economic ties with the USSR, the single largest buyer of Argentine exports. Alfonsin has done so, however, only to a limited degree and to rectify a trade imbalance. According to the US Embassy, he distrusts Soviet intentions and has resisted Soviet offers of arms sales. [redacted]

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US relations probably would be more strained under a weaker Martinez presidency, particularly if Martinez assumed power at a time of economic stagnation and increased labor activism. In our

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[redacted]

judgment, Martinez would have difficulty holding a consensus together in the Radical Party or managing an effective legislative program. At the extreme, he might opt to take radical action on the debt or a more belligerent stance on the Falklands in order to rally popular support. [redacted]

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The adoption of more nationalist and anti-West policies by Alfonsin would create problems for the United States, in our view. A suspension or substantial cutback of interest payments could harm the financial position of US banks with large exposures in Argentina and generate substantial uncertainty in financial markets. We believe Alfonsin also would be inclined to solicit support in Third World fora, such as the Cartagena debtors group, where he is a respected spokesman. Other major debtors would be especially likely to consider following Alfonsin's lead if creditors' sanctions against Argentina were relatively mild. [redacted]

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A coup by the military high command would directly undermine the US goal of fostering democracy in the Third World. Although we believe the military commanders would want to maintain good relations with the United States, it is less certain that they would be in a better position to service Argentina's debt. The economic mismanagement of Argentina's previous juntas suggests that it would not be any easier for the military to implement an effective economic policy. [redacted]

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A coup by junior military officers or rightwing officers concerned about a leftist resurgence would create additional problems for the United States by being highly nationalistic. We

[redacted]

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believe either type of regime would engage in extensive anti-US and "anti-imperialist" posturing. In fact, such a regime might even take actions harmful to US interests, such as refusing to repay or renegotiate the foreign debt. [redacted]

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The evolution of a two-party system in Argentina would be a major triumph for US efforts to foster democracy in Latin America. Depoliticization of the military and confidence in the democratic system would diminish the appeal of extremist solutions and promote respect for human rights. Additionally, the revitalization of the economy that we believe is a precondition for this scenario to occur would allow Buenos Aires to meet its debt obligations more easily and would benefit US commercial interests. A more efficient agriculture sector would provide greater competition for US farmers on world markets, but US manufacturers would benefit through greater sales to Argentina. We do not believe that a civilian government would renounce Argentine claims to the Falklands, but it probably would not take military action. Similarly, it is highly unlikely that the nuclear program would be abandoned under a democratic regime because it is a source of both prestige and income. [redacted]

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