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TEXT
TAGS: PREL, PGOV, EFIN, ECON, ETRD, EINV, KIPR, KNAR, AR
SUBJECT: U/S EIZENSTAT'S MEETING WITH ARGENTINE AMBASSADOR
DIEGO GUELAR, 11/21/97

REF: STATE 217145

1. (U) CLASSIFIED BY U/S EIZENSTAT. REASON. 1.5(D).

SUMMARY

STATE DEPT. DECLASSIFICATION REVIEW
 Retain class'n
 Declassify
Change/classify to _____
with concurrence of _____
after _____
EO 12958, 25X _____
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2. (C) ON NOVEMBER 21, ARGENTINE AMBASSADOR DIEGO RAMIRO GUELAR MET WITH UNDER SECRETARY EIZENSTAT. AREAS COVERED INCLUDED THE CURRENT ARGENTINE ECONOMIC AND POLITICAL SITUATION, PROSPECTS FOR FAST TRACK APPROVAL AND THE CREATION OF THE FREE TRADE AREA OF THE AMERICAS, U.S. MERCOSUR RELATIONS, NAZI GOLD, CUBA, NEGOTIATIONS TO CREATE A MULTILATERAL AGREEMENT ON INVESTMENT (MAL), ARGENTINA'S DESIRE TO ENTER THE OECD, ARGENTINA'S INTELLECTUAL PROPERTY RIGHTS REGIME, AND THE WTO FINANCIAL SERVICES NEGOTIATIONS. END SUMMARY.

3. (C) AMBASSADOR GUELAR WAS ACCOMPANIED BY EMBASSY ECONCOUNS FRYDMAN AND POLOFF BELTRAMINO. U/S EIZENSTAT WAS ACCOMPANIED BY ARA DAS SAMUEL, E SENIOR ADVISOR FREEMAN, E SPECIAL ASSISTANT VILLAROSA AND ARA/BSC DESKOFF SANDERS (NOTETAKER).

REGIONAL ECONOMIC SITUATION

4. (C) U/S EIZENSTAT ASKED HOW CONCERNED THE GOA WAS ABOUT ITS ECONOMIC SITUATION IN THE LIGHT OF TURBULENCE IN WORLD MARKETS AND CONCERNS ABOUT BRAZIL, ARGENTINA'S LARGEST TRADING PARTNER. GUELAR RESPONDED THAT EVER SINCE THE MEXICAN CRISIS OF 1995 ARGENTINA'S ECONOMIC MANAGEMENT HAS BEEN "EXTRAORDINARY" AND THAT UNTIL MARKETS HAD BECOME CONCERNED ABOUT BRAZIL IT HAD APPEARED THAT IT WOULD ESCAPE THE CURRENT ROUND OF INTERNATIONAL FINANCIAL TURMOIL. THIS WAS IMPOSSIBLE NOW. 1998 GROWTH, ORIGINALLY PREDICTED TO BE AT 8 PERCENT, WAS NOW OFFICIALLY BEING SCALED BACK TO 5.8, AND HE THOUGHT THAT IT COULD BE AS LOW AS 4 PCT. NONETHELESS, HE ASSERTED, THE UNDERLYING HEALTH OF ARGENTINA'S FINANCIAL SYSTEM WAS MUCH BETTER THAN BRAZIL'S. PRESIDENT MENEM, HE ADDED, WAS FULLY SUPPORTING BRAZIL'S ADJUSTMENT MEASURES; BRAZIL'S RECENT PASSAGE OF CIVIL SERVICE REFORM WAS A GOOD SIGN. HOWEVER, CARDOSO MAY WELL PAY A POLITICAL PRICE FOR UNDERTAKING BELT-TIGHTENING STEPS WHICH HE WOULD OTHERWISE HAVE PUT OFF UNTIL HE WAS SAFELY RE-ELECTED.

ARGENTINE POLITICAL SITUATION

5. (C) U/S EIZENSTAT ASKED GUELAR HOW HE VIEWED THE RESULTS OF ARGENTINA'S RECENT CONGRESSIONAL ELECTIONS AND WHETHER THIS WOULD HAVE AN IMPACT ON MENEM'S REFORM POLICIES. GUELAR NOTED THAT A GROUP OF LEADING ARGENTINE POLITICIANS, INCLUDING VICE PRESIDENT RUCKAUF AND FREPASO SENATOR AND DEPUTY-ELECT GRACIELA FERNANDEZ MEIJIDE HAD BEEN IN THE U.S. FOR SEMINARS IN NEW YORK AND WASHINGTON AND IF ANYTHING THE OPPOSITION FIGURES HAD BEEN "MORE ORTHODOX" THAN THE GOVERNMENT IN THEIR STATEMENTS. HE SAW "ZERO RISK OF LACK OF SUPPORT" ON KEY ISSUES. THE ONLY

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FACTOR FOR UNCERTAINTY IN ARGENTINA'S NEAR TERM FUTURE HE SAW WAS SPILL-OVER FROM BRAZIL'S FINANCIAL CRISIS.

FAST TRACK AND FTAA

6. (C) U/S EIZENSTAT REITERATED USG COMMITMENT TO OBTAINING FAST TRACK AUTHORITY. HE SAID THAT THE ADMINISTRATION WAS CONSULTING WITH CONGRESS ABOUT THE BEST WAY TO PROCEED AS REGARDS TIMING AND FORM OF LEGISLATION SO THAT NEGOTIATIONS COULD GET OFF TO A GOOD START. GUELAR STRESSED CONTINUING GOA INTEREST IN THE FTAA AND NOTED THAT MERCOSUR CONSTITUTES 70 PERCENT OF THE TOTAL POTENTIAL FTAA MARKET FOR THE U.S. HE EXPRESSED SOME CONCERN ABOUT COMPROMISES WHICH COULD BE MADE TO SECURE FAST TRACK SUPPORT WHICH COULD HURT ARGENTINA, SPECIFICALLY MENTIONING THE U.S. PEANUT IMPORT CERTIFICATION REGIME.

MERCOSUR ISSUES

7. (C) U/S EIZENSTAT STATED THAT, AS THE PRESIDENT HAD MADE CLEAR DURING HIS RECENT VISIT, THE USG DOES NOT OPPOSE MERCOSUR, BUT RATHER SUPPORTS MEASURES WHICH STRENGTHEN IT, TO THE EXTENT THAT THEY ARE TRADE LIBERALIZING AND WTO CONSISTENT. THE USG WAS ALSO INTERESTED IN PURSUING A DIALOGUE WITH MERCOSUR ON THE RANGE OF POLITICAL AND ECONOMIC ISSUES. HOWEVER, HE ADDED, MERCOSUR'S RECENT DECISION TO RAISE ITS COMMON EXTERNAL TARIFF SEEMED TO BE A STEP BACKWARDS FROM LIBERALIZATION. GUELAR SAID THAT THE RISE IN THE COMMON EXTERNAL TARIFF FOLLOWED THE WTO RULING AGAINST ARGENTINA'S 3 PCT "STATISTICAL TAX" (A TAX ON IMPORTS, NOMINALLY TO PAY FOR RECORD KEEPING SERVICES). HE STRESSED THAT THE INCREASE IN THE TARIFF WAS NOT A RESPONSE TO THE U.S. ADMINISTRATION'S DECISION TO PUT OFF THE VOTE ON FAST TRACK. HE URGED THAT U.S.-MERCOSUR TALKS ON A RANGE OF POLITICAL ISSUES TAKE PLACE, SPECIFICALLY MENTIONING CUBA AND COLOMBIA ("A BIG WORRY FOR THE BRAZILIANS") AS TOPICS.

NAZI GOLD

8. (C) U/S EIZENSTAT NOTED HOW IMPRESSED HE WAS WITH THE SERIOUSNESS WITH WHICH **ARGENTINA** WAS ADDRESSING THE **NAZI** GOLD ISSUE AND THAT HE WAS GLAD THAT HIS STAFF HAD BEEN ABLE TO BRIEF THE ARGENTINE EMBASSY ON THE FOLLOW-ON REPORT WHICH THE STATE DEPARTMENT HISTORIAN WAS PREPARING (REFTEL). HE ADVISED THAT IT WAS NOW ANTICIPATED THAT THIS REPORT WOULD BE RELEASED AFTER THE LONDON HISTORICAL CONFERENCE. HE SAID THAT HE HOPED TO MEET BILATERALLY WITH

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THE ARGENTINE DELEGATION IN LONDON. GUELAR URGED THAT USG MATERIALS BE SHARED AS EXTENSIVELY AND AS EARLY AS POSSIBLE WITH ARGENTINA'S OWN HISTORICAL COMMISSION "SO EACH CAN FEED EACH OTHER'S WORK."

CUBA

9. (C) U/S EIZENSTAT EXPRESSED APPRECIATION FOR ARGENTINA'S DECISION TO CONTINUE TO SUPPORT THE U.S. RESOLUTION AT THE UN GENERAL ASSEMBLY ON HUMAN RIGHTS IN CUBA. HE ASKED IF AT THE RECENTLY CONCLUDED ISLA MARGARITA IBERO-AMERICAN SUMMIT THERE WAS ANY EFFORT TO URGE DEMOCRATIC CHANGE IN CUBA AND WHETHER THERE WAS ANY DISCUSSION ON PLACING CONDITIONS ON ARGENTINA'S OR OTHER COUNTRIES' PARTICIPATION IN THE 199 SUMMIT IN HAVANA. GUELAR SAID THAT THERE HAD BEEN NO BACKING FROM THE MAJORITY OF COUNTRIES AT THE SUMMIT FOR HARSH CRITICISMS OF CUBA, SUGGESTING THAT THE EXISTENCE OF THE HELMS-BURTON ACT MAKES IT MORE DIFFICULT TO GAIN AN ANTI-CASTRO CONSENSUS. AS TO THE HAVANA SUMMIT, HE SAID THAT ARGENTINA WANTS TO PUT CONDITIONS ON ATTENDANCE RELATING BOTH TO CASTRO'S PROMISES FOR IMPROVED HUMAN RIGHTS PERFORMANCE MADE IN VINA DEL MAR AND TO FREEDOM FOR PARTICIPANTS IN THE HAVANA TO HAVE ACCESS TO THE CUBAN PEOPLE. HE SAID THAT ARGENTINA WAS "WITH THE SPANISH" IN TERMS OF ITS APPROACH TO IBERO AMERICAN SUMMITS AND CUBA. REGARDING ARGENTINA'S VOTE AT ON THE HUMAN RIGHTS RESOLUTION, HE PREDICTED HARSH CRITICISM FROM SOME OF ITS RIO GROUP PARTNERS FOR ITS SUPPORTING THE USG.

MAI, OECD, IPR

10. (C) U/S EIZENSTAT NOTED THAT THE USG WAS PLEASED BY ARGENTINA'S INTEREST IN ACCEDING TO THE MULTILATERAL AGREEMENT ON INVESTMENT CURRENTLY UNDER NEGOTIATION AT THE OECD AND SAID THAT THE USG WAS PREPARED TO WORK TO SEE THAT ARGENTINA COULD BE CONSIDERED FOR ORIGINAL MEMBERSHIP IN THE AGREEMENT. GUELAR HAD NO RESPONSE ON THE MAL ISSUE,

BUT SAID THAT ARGENTINA WAS VERY INTERESTED IN JOINING THE OECD ITSELF. U/S EIZENSTAT SAID THAT THE USG SUPPORTED ARGENTINA'S MEMBERSHIP AND WOULD WORK WITH OTHERS TO FACILITATE ITS CANDIDACY. HE OBSERVED THAT ARGENTINA WOULD BE EXPECTED TO BRING ITS INTELLECTUAL PROPERTY RIGHTS REGIME INTO LINE WITH DEVELOPED COUNTRIES.

11. (C) REGARDING IPR HE RESTATED USG CONCERNS ABOUT PHARMACEUTICAL PATENT PROTECTION AND CONFIDENTIALITY FOR TEST DATA SUBMITTED FOR MARKETING APPROVAL. HE OBSERVED THAT A SOFTWARE PROTECTION BILL HAD PASSED ARGENTINA'S CHAMBER OF DEPUTIES AND INQUIRED ABOUT ITS PROSPECTS IN THE SENATE. GUELAR PREDICTED THAT IT WOULD INDEED BE PASSED BY

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THE SENATE.

WTO FINANCIAL SERVICES

12. (C) U/S EIZENSTAT URGED THAT ARGENTINA TABLE AN OFFER AT THE WTO FINANCIAL SERVICES NEGOTIATIONS, NOTING THE DECEMBER 12 DEADLINE. ARGENTINE ECONCOUNS FRYDMAN RESPONDED THAT ARGENTINA'S OFFER AT THE LAST ROUND HAD BEEN GENEROUS. SOME USG REQUESTS, SUCH AS THAT REGARDING INSURANCE WERE "DIFFICULT." HE SAID THAT ARGENTINA WAS VERY ACCESSIBLE FOR U.S. FIRMS WHICH WANTED TO ENTER ITS MARKET. HE SAID THAT ARGENTINA WOULD DO "EVERYTHING IT CAN" TO SUPPORT THE NEGOTIATIONS.
TALBOTT

ADMIN
END OF MESSAGE

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