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TO IMMEDIATE FCO

TELNO 814 OF 3 DECEMBER 1984

*Prime Minister  
see para 2.*

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INFO PRIORITY MOD (SIC A3A), CBFFI BANK OF ENGLAND ASUNCION BRASILIA  
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PRESS SUMMARY (1, 2 AND 3 DEC)

1. SUMMARY

HEADLINES OVER THE LAST THREE DAYS ARE SHARED BETWEEN THE FOREIGN DEBT AGREEMENT WITH INTERNATIONAL CREDITOR BANKS, INCREASES IN FUEL AND TRANSPORT TARIFFS, THE BEAGLE SETTLEMENT AND EVENTS IN EL SALVADOR AND CHILE.

1. FOREIGN DEBT

ON MONDAY ALL DAILIES FRONT-PAGED THE GOVERNMENT'S ANNOUNCEMENT THAT A DEBT AGREEMENT WITH FOREIGN PRIVATE BANKS HAS BEEN REACHED. THIS INCLUDES 4.2 BILLION DOLLARS TO REFINANCE THE DEBT FALLING DUE BETWEEN 1982 AND 1985, 1 BILLION DOLLARS FROM OFFICIAL CREDIT AGENCIES (THE US TREASURY OR THE EXIMBANK AND POSSIBLY ALSO THE CENTRAL BANKS OF GERMANY, JAPAN AND FRANCE) AND 270 MILLION DOLLARS FINANCED BY THE IMF ON TOP OF A REQUESTED STAND-BY LOAN. THE ECONOMY MINISTRY STATEMENT STRESSES THE RELATIVELY FAVOURABLE INTEREST RATES AND THE THREE YEAR GRACE PERIOD GRANTED FOR THE NEW LOANS. "LA NACION" ATTEMPTS A PRELIMINARY ASSESSMENT OF THE DEAL AND ARRIVES AT GENERALLY POSITIVE CONCLUSIONS WHILE RECOGNISING THAT THE CONDITIONS ARE UNDERSTANDABLY LESS ATTRACTIVE THAN THOSE ACHIEVED BY MEXICO. (BA HERALD MONDAY PAGE 1, CLARIN MONDAY P 15 AND NACION MONDAY P 1 AND 13).

3. DOMESTIC ECONOMY

PETROL AND TRANSPORT PRICES HAVE BEEN RAISED BY 25 AND 16.5 PER CENT RESPECTIVELY. INTERNATIONAL POSTAL AND TELECOMMUNICATIONS TARIFFS WERE ALSO INCREASED. THE CENTRAL BANK WILL MAINTAIN THROUGH DECEMBER THE PRESENT INTEREST RATES OF 17 PER CENT FOR DEPOSITS AND 19 PER CENT FOR LOANS. IN THE LIGHT OF PRESENT INFLATION LEVELS AND SALARY GUIDELINES, THESE MEASURES ARE JUDGED TO BE RECESSIONARY AND DESIGNED TO MEET IMF CRITERIA. (CLARIN SATURDAY P 10 TO 12, NACION SUNDAY SECTION 3 P 2).

| SUNDAY

SUNDAY'S "CLARIN" (P 22-23) NOTES A 10 PER CENT FALL IN REAL TERMS IN NOVEMBER TAX REVENUES COMPARED WITH THOSE FOR THE PREVIOUS MONTH. IN OCTOBER THE TREASURY DEFICIT WAS ALMOST 19 PER CENT ABOVE THE SEPTEMBER FIGURE. ACCORDING TO SUNDAY'S "BUENOS AIRES HERALD" (P 17) THE 1985 BUDGETARY PROVISIONS FOR THE YACYRETA HYDROELECTRIC PROJECT WILL BE SEVERELY REDUCED AS PART OF THE EFFORT TO CUT PUBLIC SPENDING.

SPEAKING IN CONCORDIA ON SATURDAY, PRESIDENT ALFONSIN REITERATED HIS ELECTORAL COMMITMENT TO RAISE REAL SALARY LEVELS BY 6 TO 8 PER CENT AT THE END OF THIS YEAR. (NACION SUNDAY P 22).

OFFICIAL INDEC STATISTICS INDICATE THAT INDUSTRIAL ACTIVITY INCREASED DURING THE THIRD QUARTER BY 1.9 PER CENT AS COMPARED TO THE SAME PERIOD IN 1983, WITH EMPLOYMENT UP BY 4.2 PER CENT. HOWEVER A SURVEY BY THE ARGENTINE BUSINESS UNIVERSITY (UADE) SUGGESTS THAT ACTIVITY IN MANUFACTURING INDUSTRY HAS NOW BEGUN TO DECLINE AGAIN. THE LEFT-WING PERONIST DAILY "LA VOZ" SEES GLOOMY ECONOMIC PROSPECTS FOR THE NEXT FEW MONTHS. (BA HERALD SUNDAY P 2, NACION SECTION 3 P 5, LA VOZ MONDAY P 2 AND 16).

ECONOMY MINISTER GRINSPUN ANNOUNCED THAT THE GOVERNMENT IS PLANNING A LAW ON TECHNOLOGY TRANSFER WHICH WOULD RESTRICT THE DRAIN OF FOREIGN CURRENCY FROM ARGENTINA. 486 MILLION DOLLARS IN ROYALTIES WERE REMITTED ABROAD LAST YEAR. THE AUTHORITIES ALSO AIM TO ENSURE THROUGH NEW BILATERAL AGREEMENTS A GREATER SHARE FOR ARGENTINE SHIPS IN THE COUNTRY'S INTERNATIONAL TRADE. (CLARIN SATURDAY P 13 AND AMBITO FINANCIERO MONDAY P 6).

#### 4. BEAGLE SETTLEMENT

ALL PAPERS HIGHLIGHT THE POPE'S ADDRESS ON FRIDAY TO THE ARGENTINE AND CHILEAN DELEGATIONS IN THE VATICAN, WHERE HE EMPHASISED HIS QUOTE PROFOUND SATISFACTION UNQUOTE AT THE RECENTLY SIGNED BEAGLE SETTLEMENT. ON SATURDAY HE EXPRESSED TO A GROUP OF VISITING ARGENTINE BISHOPS HIS QUOTE DESIRE TO RETURN TO YOUR COUNTRY ONE DAY UNQUOTE, BUT HE IS NOT EXPECTED TO ATTEND THE CEREMONY FOR THE EXCHANGE OF THE INSTRUMENTS OF TREATY RATIFICATION. (CLARIN SATURDAY P 2-3, SUNDAY P 2-3, NACION SATURDAY P 1 AND SUNDAY P 6, BA HERALD SATURDAY P 1 AND SUNDAY P 17).

CHILEAN AIR FORCE COMMANDER FERNANDO MATTHEI'S DECLARED FULL SUPPORT FOR THE AGREEMENT IS RECORDED ON MONDAY. (CLARIN P 10 AND NACION P 5). "LA VOZ" CARRIES A SIGNED ARTICLE BY CARLOS SUAREZ ATTACKING THE ACCORD AS A SURRENDER AND ALLEGING THAT ITS SPEEDY CONCLUSION IS SOUGHT BY QUOTE THE INTERNATIONAL OIL MONOPOLIES AND THE BRITISH OCCUPIER OF OUR MALVINAS ISLANDS UNQUOTE. (MONDAY P 8).

IN "LA PRENSA", MANFRED SCTONFELD WRITES IN SIMILAR TERMS AND URGES THAT ARGENTINA SHOULD NOT LOWER HER GUARD IN RELATION TO THE FALKLANDS. (COPY AND TRANSLATION BY BAG TO FCO).

5. ANTARCTICA

MUCH SPACE IS GIVEN TO NEWS THAT CHILE WILL HENCEFORTH USE THE FORMER BRITISH SCIENTIFIC BASE AT ADELAIDE. EXPLANATIONS BY THE CHILEAN AMBASSADOR IN BUENOS AIRES, THAT THE MOVE HAS NO POLITICAL CONNOTATIONS AND THAT THE TRANSFER TOOK PLACE SIX MONTHS AGO ARE WIDELY ACKNOWLEDGED. HOWEVER, AN MFA STATEMENT PUBLISHED BY ALL PAPERS IMPLICITLY RE-AFFIRMS ARGENTINA'S SOVEREIGNTY OVER PART OF ANTARCTICA, RECALLS THAT ARGENTINA, CHILE AND THE UK HAVE OVERLAPPING CLAIMS AND THAT ARGENTINA AND CHILE RECOGNIZE EACH OTHER'S SOVEREIGNTY OUTSIDE THESE CONFLICTING ZONES. "CLARIN" INSISTS THAT THE UK IS QUOTE TRYING TO MAINTAIN COLONIES IN THE SOUTH ATLANTIC ISLANDS UNQUOTE IN ORDER TO BUTTRESS HER SOVEREIGNTY ARGUMENTS. (CLARIN SATURDAY P 2 AND 4, TIEMPO ARGENTINO SATURDAY P 10 , PRENSA SUNDAY P 2).

6. FALKLANDS

PROMINENCE IS AGAIN GIVEN TO DECLARATIONS IN LONDON BY VISITING ARGENTINE PROTESTANT CLERGYMENT CALLING FOR NEGOTIATIONS TO FACILITATE THE RETURN OF THE FALKLANDS TO ARGENTINA .(NACION SUNDAY P 3, PRENSA SUNDAY P 2).

SUNDAY'S "NACION" (P 3) CARRIES AN ARTICLE REVIEWING THE POLEMIC ON THE SINKING OF THE BELGRANO. ACCUSATIONS LEVELLED AT HMG BY OPPOSITION MPS ARE FACTUALLY LISTED AND THE GOVERNMENT IS SAID TO HAVE SOMETHING TO HIDE. THE IDENTIFICATION OF THE HMS CONQUEROR OFFICER WHOSE DIARY ON THE BELGRANO INCIDENT WAS RECENTLY PUBLISHED BY THE "OBSERVER" IS ALSO RECORDED. (NACION MONDAY P 2, TIEMPO MONDAY P 6).

AN ANSA DESPATCH ON FOREIGN MINISTER CAPUTO'S FALKLANDS-RELATED STATEMENTS IN ALGIERS IS RELAYED BY SEVERAL PAPERS. THIS HIGHLIGHT HIS COMMENT THAT QUOTE THE INTRANSIGENCE OF GREAT BRITAIN IN THE FACE OF ARGENTINE RIGHTS TO SOVEREIGNTY OVER THE MALVINAS PLACES US IN A DIFFICULT POSITION AND PREVENTS A PEACEFUL SOLUTION TO THE CONFLICT UNQUOTE. (CLARIN MONDAY P 2 AND TIEMPO P 5).

A STUDY IDENTIFIES THE FALKLANDS QUOTE EXCLUSION ZONE UNQUOTE AS ONE OF THE CAUSES OF THE CRISIS IN THE ARGENTINE FISHING INDUSTRY . IT CLOSES RICH FISHING GROUNDS TO ARGENTINE TRAWLERS, WHILE LEAVING FOREIGN FLEETS TO OPERATE FREELY AND SUBSEQUENTLY TAKE-OVER ARGENTINA'S TRADITIONAL MARKETS THROUGH DUMPING TACTICS. THE GOVERNMENT IS ALLEGEDLY EXAMINING INTER ALIA THE POSSIBILITY OF DIPLOMATIC TALKS WITH COUNTRIES FISHING OFF THE ISLANDS AND STEPS TO SECURE ACCESS FOR ARGENTINE VESSELS TO THE AREA. (NACION SUNDAY SECTION 3 PAGE 1 AND 4. COPY AND TRANSLATION BY BAG TO FCO).

ON FRIDAY, ALFONSIN RECEIVED PLAYERS FROM THE "INDEPENDIENTE" FOOTBALL CLUB WHO WILL PLAY LIVERPOOL IN TOKYO ON 9 DECEMBER. HE TOLD THEM TO PLAY HARD AND WIN BUT TO REFRAIN FROM VIOLENCE AND NOT TO THINK OF TAKING REVENGE FOR THE FALKLANDS DISPUTE. (BA HERALD SATURDAY P 4 AND DIARIO POPULAR P 15).

A READER'S LETTER IN TODAY'S "BUENOS AIRES HERALD" (P 5) SHARPLY CRITICISES THE ANGLO-ARGENTINE COMMUNITY'S PASSIVE ATTITUDE TOWARDS THE SYSTEMATIC DENIGRATION OF ITS CONTRIBUTION TO THE NATION. THE AUTHOR CALLS FOR A RESUMPTION OF CULTURAL TIES AS A FIRST STEP TOWARDS THE RESTORATION OF PEACEFUL BILATERAL RELATIONS.

#### 7. INTERNAL POLITICS

THERE ARE RUMOURS OF IMMINENT CABINET CHANGES PLACING PERONIST PRESIDENTIAL ADVISOR ANGEL FEDERICO ROBLEDO IN THE MINISTRY OF DEFENCE, RAUL BORRAS IN THE MINISTRY OF INTERIOR, ANTONIO TROCCOLI IN THE MINISTRY OF ECONOMY, BERNARDO GRINSPUN IN THE CENTRAL BANK AND ENRIQUE GARCIA VAZQUEZ AS ARGENTINE REPRESENTATIVE TO INTERNATIONAL ECONOMIC ORGANIZATIONS. RADICAL SENATOR ADOLFO GASS HAS CONFIRMED THAT A RESHUFFLE WILL BE ANNOUNCED BY ALFONSIN ON 10 DECEMBER. (CLARIN SATURDAY P 6 AND BA HERALD MONDAY P 7).

PERONIST PARTY FIRST VICE-PRESIDENT LORENZO MIGUEL HAS BEEN ELECTED SECRETARY GENERAL OF THE FEDERAL CAPITAL BRANCH OF THE METAL WORKERS' UNION (UOM) ALTHOUGH HIS OPPONENTS HAVE REQUESTED THE COURTS TO ANNUL THE POLL RESULTS. (CLARIN SATURDAY P 7, BA HERALD MONDAY P 7).

THE SUPREME COUNCIL OF THE ARMED FORCES, WHOSE ELEVEN MEMBERS PRESENTED THEIR RESIGNATIONS ON 14 NOVEMBER, REPUTEDLY WILL BE RE-CONSTITUTED THIS WEEK. (CLARIN MONDAY P 2).

#### 8. ARMED FORCES

BUDGETARY RESTRICTIONS NEXT YEAR ARE EXPECTED TO REQUIRE A REDUCTION IN THE NUMBER OF CONSCRIPTS TAKEN BY THE ARMY, A CUT-BACK IN THE NUMBER OF SAILING DAYS ALLOWED FOR NAVY VESSELS, ABOUT WHICH NAVY CHIEF OF STAFF RAMON AROSA HAS ALREADY COMPLAINED, AND A REDUCTION IN FLYING HOURS FOR AIR FORCE PILOTS FROM 300 TO 60 P.A. IS ALSO LIKELY. FUNDS ALLOCATED TO THE ARMED FORCES WILL APPARENTLY AMOUNT TO APPROXIMATELY 2 BILLION DOLLARS OR 2.3 PER CENT OF GDP COMPARED WITH 6 PER CENT IN 1983. (NACION SATURDAY P 4).

DETAILS OF MILITARY UNITS TO BE DISBANDED ARE PROVIDED BY "TIEMPO ARGENTINO" (SATURDAY P 3) AND "LA NACION" (MONDAY P 5).

FOLLOWING THE SIGNING OF THE BEAGLE SETTLEMENT, THE ARMY WILL NOW BEGIN TO EXTEND THE QUOTE ATLANTIC ROAD UNQUOTE IN TIERRA DEL FUEGO EASTWARDS FROM RIO MOAT. (TIEMPO SUNDAY P 6).

9. FOREIGN RELATIONS

WIDE COVERAGE IS GIVEN TO CAPUTO'S THREE DAY VISIT TO ALGERIA WHICH PRODUCED A SERIES OF TRADE AGREEMENTS. (CLARIN SATURDAY P 3, MONDAY P 2).

THE MINISTER HAS DENIED THAT ALFONSIN WILL STAND AS CANDIDATE FOR THE PRESIDENCY OF THE NON-ALIGNED MOVEMENT. (CLARIN MONDAY P 2).

ALFONSIN IS EXPECTED TO VISIT NEW DELHI AT THE INVITATION OF PRIME MINISTER RAJIV GANDHI IN JANUARY FOR DISCUSSIONS WITH OTHER HEADS OF STATE ON DISARMAMENT. (NACION MONDAY P 2).

SHARKEY  
UNQUOTE

POWELL-JONES

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