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16 JUN 1975

In reply refer to:  
I-6317/75  
300.6

121-Argentine

MEMORANDUM FOR THE UNDER SECRETARY FOR SECURITY ASSISTANCE  
DEPARTMENT OF STATE

THE DIRECTOR, BUREAU OF POLITICO-MILITARY  
AFFAIRS  
DEPARTMENT OF STATE

THE ASSISTANT TO THE SECRETARY FOR NATIONAL  
SECURITY AFFAIRS  
DEPARTMENT OF TREASURY

SUBJECT: Request for the Use of FY 1975 FMS Credit Funds  
for the Government of Argentina (U)

It is requested that the use of FY 1975 FMS credit  
funds in the amount of \$3 million be approved for the  
purpose of financing a \$30 million sale of defense  
articles and/or services to the Government of Argentina  
through the Federal Financing Bank.

(U) Additional background/justification data is attached.

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Chief, Records & Declass Div, WHS  
Date: SEP 01 2017

Amos A. Jordan  
Acting Assistant Secretary of Defense  
International Security Affairs

16 June 1975

Enclosure  
as stated

cc: Mr. Shaw, OMB  
Mr. Pinogold, ACDA

Prep by: Mr. Billings/DSAA(TS)/4B662/10 June 1975/ums  
4B662/79324

Distr: Orig & 1 cc      ISA Reading  
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Lt Gen Fish  
R&C

JUSTIFICATION OF A PROPOSED CREDIT SALE  
GOVERNMENT OF ARGENTINA

1. Country: Argentina
2. List of Major Items and Estimated Cost

<u>Item</u>	<u>Estimated Cost</u> (\$Million)
<u>Army</u>	
Aircraft Support Materiel	
Engineering Materiel	
Artillery Materiel	
Major Maintenance Package for Tracked & Wheeled Vehicles	\$10.0
<u>Navy</u>	
Ship Equipment and Repairs	
Aircraft and Support Equipment	
Marine Corps Equipment	
Fixed Communications Net	
Drydock Modernization	\$10.0
<u>Air Force</u>	
Support Package for Major Aircraft Overhaul Materiel for Aircraft Re- equipment and Modernization Equipment for Maintenance Shops Acquisition and Support, S58T Helicopters	\$10.0
Total	\$30.0

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3. Financing:

This will be a USG guaranteed credit from the Federal Financing Bank. The repayment period will be determined at the time of negotiation of the loan. The interest rate will depend on the rate at the time of drawdown of the loan. The commitment period will be 24 months from the signing of the loan agreement.

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4. Military Justification:

a. Does the sale meet a military requirement derived from a U.S. approved force goal?

There is no U.S. approved force goal for Argentina.

b. Are there other military justifications?

The items to be sold are in support of a modest force modernization plan.

c. If there is a Grant military assistance program, how does the sale relate to the program?

There is no Grant materiel program for Argentina. The Grant training program is complementary to the FMS program.

d. Does a major item under consideration represent an important advance in weapons sophistication?

No.

e. Is this a multi-year program?

No.

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5. Political Justification:

a. What are the relevant policy considerations affecting the sale?

The provision of this credit will assist in maintaining close ties between the U.S. and Argentina armed forces in the face of strong European competition for military sales and a trend toward turning away from the U.S. for military equipment. This relationship is important to the future of U.S.-Argentine political relations, and to the future of U.S. economic investment in Argentina.

b. How does the sale support U.S. objectives in the country and in the region?

This sale will support U.S. objectives of seeking the continuation of U.S. Argentine cooperation in Western Hemisphere political questions, hemispheric military exercises, and the maintenance of constructive regional relations with neighboring countries.

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c. Will the sale affect the regional arms balance or contribute to an arms race?

No.

d. Is this the sale of a sophisticated weapons system within the meaning of the Conte Amendment?

No.

e. Is the country run by a military dictatorship which denies social progress to its citizens?

No.

6. Economic Justification:

a. Is there a demonstrable need for credit?

Yes. Due to currency devaluation and other adverse financial developments, the Argentine armed forces are not in a position to undertake large cash purchases at this time.

b. Is the purchasing country on the "green list"?

Yes.

c. If a sale, how large is the annual repayment obligation in relation to available foreign exchange resources? Will it place an undesirable burden on these resources?

The annual repayment obligation will not place an undue burden on Argentine foreign exchange resources.

d. What is the value of other arms purchases that Argentina is making or expected to make?

Argentina has purchased two submarines from the U.K. for \$66 million, and five F-28 transport aircraft from the Netherlands for \$23 million. Terms of payment are not known for either sale.

c. Will the U.S. refusal to make this transfer result in Argentina's turning to other sources of supply? What then will be the economic implications?

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Argentina would probably turn to other sources of supply. The economic implications would be the same.

7. Congressional Implications:

No adverse Congressional reaction to this sale is anticipated.

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