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ARGENTINA: WEEKS OF CRISIS (U)



DEFENSE INTELLIGENCE AGENCY

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Date: JAN 19 2018

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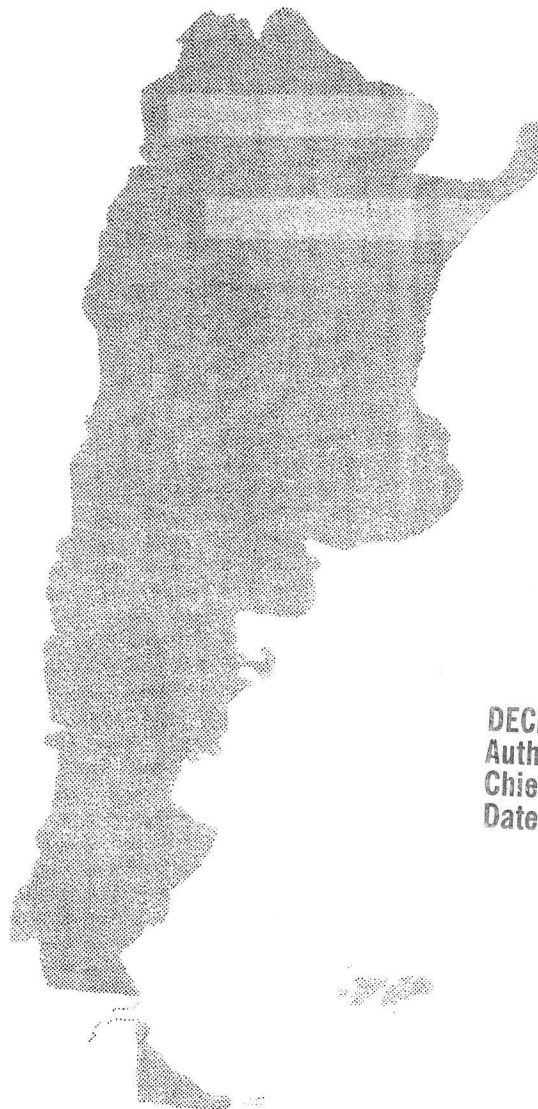
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ARGENTINA: WEEKS OF CRISIS (U)

Summary

~~(S/NFO)~~ Although President Peron has weathered crises in the past, her tenure will most likely end either by resignation or leave of absence for health reasons in the near term. After only a year in office, she is facing her most serious challenge. Initially angered over wage disputes and inflationary pressures, labor leaders have forced the President to oust Jose Lopez Rega, her controversial Minister of Social Welfare and Presidential Secretary. Lopez Rega, whose ability to sway the emotional President is well known in Argentina, had been the target of both labor and the military for several months. Moreover, a general strike protesting government duplicity in honoring collective bargaining agreements has forced Mrs. Peron to accept the resignation of her entire Cabinet. Another resignation of most of the new Cabinet may occur now that Lopez Rega has been virtually exiled to a European post at the insistence of the Argentine military.

~~(S)~~ A combination of economic and political factors is further deteriorating the already volatile situation. The second devaluation of the peso in six weeks has had a negative impact on recent wage increases. Many labor and some military leaders believe that many of the problems will be solved by keeping Lopez Rega out of the country. If he regains a position of influence, the previously disinterested stance adopted by the military will probably change.

~~(S/NFO/WHSTSMI)~~ Argentina's political future now hinges on the military's perception of Mrs. Peron's ability to govern without Lopez Rega. If she fails in that attempt, Mrs. Peron will probably be replaced by her constitutional successor, the

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recently elected Provisional President of the Senate and Peronist moderate, Italo Luder, or she could resign her office. A military coup resulting in direct rule is less likely.

Background

~~(C)~~ The Argentine political situation has been volatile since the death of Juan Peron last July. Most observers felt that Mrs. Peron, who was then vice president, would merely be an interim replacement until a suitable chief executive could be found. Her surprising ability to retain power was apparently tied to her dependence on Lopez Rega as well as the lack of an unacceptable and capable successor for the presidency and the reluctance of the Argentine military to intervene. Furthermore, she has demonstrated inspired and rational leadership on occasion.

~~(C)~~ President Peron is now facing the most serious challenge to her administration to date. She has already yielded to demands for removal and exile of Lopez Rega, has agreed to organized labor's demand for massive wage increases and price freezes, and has accepted the resignation of her Cabinet. Nevertheless, the President still faces considerable opposition from the Congress and labor to purge Lopez Rega from Argentine politics entirely. Furthermore, the retention of five of the eight Cabinet members, including three considered subservient to Lopez Rega, made the new Cabinet unpalatable to many Argentine leaders and did little to calm the uneasiness in Buenos Aires.

~~(S/NED/WNSIMBI)~~ The primary criticism of Mrs. Peron's administration during the past several weeks has centered on the role of Lopez Rega. Although he served as presidential bodyguard to Juan Peron for two years, it was not until after Lopez Rega retired as a lowly first corporal after 20 years from the federal police that he gained influence with the Perons. His access was perhaps through his interest in spiritualism and his purported abili-

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ty to contact the dead, including Evita Peron, the first wife of Juan.

(S/NFD/WNSISMI) Mrs. Peron's dependence on Lopez Rega began while she was Vice President from August 1973 to July 1974. Lopez Rega became her intimate and trusted adviser after she became President and was assumed by many to be the real power in Argentina. Thus, his ouster from the Cabinet and as Presidential Secretary raises questions about Mrs. Peron's need to find a substitute for the father figure, first in Juan Peron and then in Lopez Rega. Newly appointed Foreign Relations Minister Alberto Vignes is reportedly filling this void. However, he is considered a supporter of Lopez Rega and may resign his cabinet position.

Military Reluctance to Intervene

(C) Military leaders initially remained unwilling to act in the confrontation between labor and President Peron. The crisis, nevertheless, allowed the three military commanders to voice their feelings in unison on Lopez Rega, eventually forcing Mrs. Peron to exile him. Commander in Chief of the Navy Adm Massera allegedly had been previously threatened by members of the Argentine Anticommunist Alliance (AAA), which has the generally acknowledged backing of Lopez Rega.

(S/NFD/WNSISMI) The military leaders' perception of the worsening situation, however, has shifted discernibly. Should it become clear that Mrs. Peron -- either through emotional problems or continued reliance on a surrogate Lopez Rega -- is unable to carry out her mandate as President, the military will probably step in. Although the nature of their intervention is not clear, most military chiefs favor a constitutional succession rather than a military government. As Argentina's economic situation worsens and labor feels less inclined to accept the rate of inflation, the military may move to prevent insurrection among the populace. The fact that the

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three military leaders were united in their demands to oust Lopez Rega strongly suggests a unity that was not present before this latest crisis.

Labor Crisis

~~(C)~~ Faced with labor demands that wages be allowed to rise concurrently with the runaway inflation, the government on 14 June agreed to adhere to negotiated collective bargaining agreements allowing for automatic wage adjustments of up to 130 percent. On 28 June, however, the Peron administration announced it would not sign the agreements because of their impact on inflation. When the Argentine Minister of Economy Celestino Rodrigo appeared before the Chamber of Deputies on 3 and 4 July to explain the government's new economic program, he was greeted with jeers and open hostility. Concurrently, the General Confederation of Labor declared a nationwide 48-hour strike, further weakening the credibility of Rodrigo's arguments to the Lower House. As a result, some members of the Congress called for the removal of both Rodrigo and Lopez Rega.

~~(C)~~ At about the same time, the second devaluation of the peso in six weeks added a new element to the labor crisis. Wage increases were diminished by this move, and workers paychecks shrunk even further, causing discontent with both the government and labor leadership.

Cabinet Offers to Resign

~~(C)~~ Reportedly to resolve the national crisis engendered by the threat of a national work stoppage, the Cabinet met and decided to tender its resignation to the President on 6 July. Labor leaders considered the resignations a ploy by the Peron government for time to allow the situation to cool and force cancellation of the threatened general strike. Nevertheless, a strike began on the 7th and ended on the 8th when the Peron administration conceded to labor's wage demands.

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~~(S/NFD/WNSISMI)~~ Mrs. Peron suffered other setbacks during the week of 6 July. Overriding her desires, the Senate substituted its own law of succession, calling for election of a successor by the Congress within 48 hours. Peronist moderate Italo Luder was promptly installed as Provisional President of the Senate, thus making him next in line for the presidency. Luder, a respected constitutional lawyer and academician, is viewed as a capable replacement for President Peron should her government be dissolved. In Luder's acceptance speech to the Senate, he argued for a return to consensus politics, which he feels has been missing in the Peron presidency. However, his long-term acceptability to the military remains in doubt. Nevertheless, Luder could act as an interim president until the scheduled 1977 elections if the military cannot find an acceptable permanent replacement.

New Cabinet Named

~~(C)~~ On 11 July, President Peron announced that she was forming a new Cabinet. Five of the eight ministerial positions, however, were filled by incumbents. Although Lopez Rega was dismissed as Minister of Social Welfare, his supporters -- Foreign Minister Vignes, Labor Minister Condotti, and Social Welfare Minister Villone -- gained and maintained positions in the new Cabinet. Of the other five ministers, only Interior Minister Benitez, the former Minister of Justice, is considered capable of independent action in this administration.

~~(C)~~ The Cabinet reshuffle is expected to continue. The recent resignation of Economic Minister Rodrigo presaged further removals of Lopez Rega supporters from the Cabinet. Although planned to cool immediate opposition to the fiscal program seen as responsible for Argentina's poor economic status, the Rodrigo departure is probably only a half measure. The entire economic team was replaced on 22 July, and the new Minister, old-time Peronist Pedro

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Bonanni, was initially considered a poor choice by labor leaders.

The Future of Lopez Rega

(C) The issue of control remaining in Lopez Rega's hands has not been resolved, since an avid follower of Lopez Rega, Julio Gonzalez, has now assumed the post of presidential secretary. Lopez Rega could either be waiting for the present crisis to pass or be preparing for the impending arrival of President Peron if she abdicates.

(C) A resolution introduced in the Chamber of Deputies by a Peronist congressman charging Lopez Rega with violating Argentine law by organizing the AAA and engaging in illegal meetings has apparently been overtaken by events. However, the charges could be resurrected if he returns to Argentina. Reaction from various Argentine officials since the Cabinet shuffle suggests that his virtual exile may be permanent.

Outlook

(C) President Peron's days as chief executive, barring some improvement in the economic situation, are numbered. The target of the labor unions and their membership will increasingly become the administration. If the continuing terrorism increases concurrently, insurrection and military intervention are inevitable.

(C/NPD/WNSISMI) The disintegration in the confidence of President Peron to govern has not reached the majority of the Argentine military. At this time, she is faulted mainly for the retention of cabinet officers allied with Lopez Rega, and their resignation could cool that opposition temporarily. Nevertheless, if the military leaders decide that the President must go, Mrs. Peron would not likely muster sufficient support to prevent it. The military would probably maintain constitutional succession and allow Luder to become President. His performance would be closely monitored, perhaps even directed by the military, until a permanent leader was elected. A long-term successor for Mrs. Peron has not appeared.

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(C/NPD) Mrs. Peron's alleged illness, which has caused her to ask for a leave of absence for several months, is a manifestation of her inability to serve as President. She will most likely not be able to function without Lopez Rega, even with Minister Vignes as a substitute. Her tenure will therefore end shortly as the weight of her economic and political problems as well as military prodding to force her resignation become overwhelming. ~~(HDS-2 Declassify upon notification of originator)~~

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