

The original documents are located in Box 1, folder “Argentina - Economic, Social” of the National Security Adviser's NSC Latin American Staff Files, 1974-77 at the Gerald R. Ford Presidential Library.

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2899
LOW

THE WHITE HOUSE
WASHINGTON

July 19, 1974

Dear Fred:

Thank you for the report of your trip to Argentina to present United States' condolences upon the death of President Peron. The account of your activities and conversations you had there was of great interest.

I deeply appreciate your willingness to undertake this mission on such short notice. It is clear that you carried out your functions in a manner reflecting credit on yourself and on the United States.

Sincerely,

Honorable Frederick Dent
Secretary of Commerce
Washington, D. C.



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 016165

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Memorandum

CREATOR'S NAME Steve Low

RECEIVER'S NAME Jan Lodal, David D. Elliott

TITLE India Nuclear Agreement with Argentina
and Brazil

CREATION DATE 08/06/1974

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 034200004

COLLECTION TITLE NATIONAL SECURITY ADVISER. NSC LATIN
AMERICAN AFFAIRS STAFF: FILES

BOX NUMBER 1

FOLDER TITLE Argentina - Economic, Social

DATE WITHDRAWN 07/03/2002

WITHDRAWING ARCHIVIST GG

sanitized 4/11/05

NATIONAL SECURITY COUNCIL

August 6, 1974

MEMO FOR: JAN LODAL
DAVID D. ELLIOTT

SUBJ: Indian Nuclear Agreement with
Argentina and Brazil

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The Brazilian agreement provides for an exchange of scientific information on peaceful uses, scholarships for scientists, meetings between energy commissions, and release of research material and equipment.

ell
Steve Low

Attachment:
.....



~~SECRET~~

DECLASSIFIED • E.O. 12958 Sec. 1.4
With PORTIONS EXEMPTED
E.O. 12958 Sec. 1.5 (c)

MR 05-04 #1, CIA J22 4/11/05

By dial NARA Date 4/26/04

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 016166

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Memorandum

RECEIVER'S TITLE Steve Low

TITLE NSC

DESCRIPTION Transmittal memo

CREATION DATE 08/01/1974

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 034200004

COLLECTION TITLE NATIONAL SECURITY ADVISER. NSC LATIN
AMERICAN AFFAIRS STAFF: FILES

BOX NUMBER 1

FOLDER TITLE Argentina - Economic, Social

DATE WITHDRAWN 07/03/2002

WITHDRAWING ARCHIVIST GG

Recd
Aug 1, 1974

MEMORANDUM FOR THE RECORD

SUBJECT: ARGENTINA/BRAZIL: NUCLEAR COOPERATION AGREEMENTS WITH INDIA

The Following is a broad comparison of the nuclear cooperation agreements signed by India with Brazil and Argentina. We cannot make a thorough comparison since the complete text of the agreement with Brazil is not yet available.*

1. India / Argentina Nuclear Cooperation Agreement

The "official English text" of the Nuclear Cooperation Agreement signed by India and Argentina in June, 1974, is contained in a cable from the Embassy, Buenos Aires (72216, dated 28 June 1974). The agreement is entitled: "Agreement between the Government of the Argentine Republic and the Government of the Republic of India on Cooperation Regarding the Utilization of Atomic Energy for Peaceful Purposes."

The agreement is very general, and the phrase, "peaceful uses of atomic energy," is referred to frequently. There are no references to international safeguards or inspections.

2. India / Brazil Nuclear Cooperation Agreement

During the visit to Brazil of Indian Prime Minister, Indira Gandhi in late 1968, Brazil and India signed an agreement on the peaceful use of atomic energy. The agreement was to be in effect for five years, with an option for extending it. Based on an O Globo article of 19 December 1968, which is confirmed by special materials, the agreement contains the following provisions:

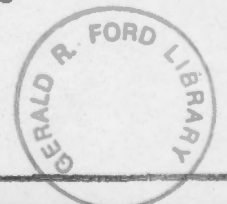
- a. Exchange of scientific information with respect to the peaceful use of Atomic energy, except information of a secret nature or which one of the parties does not have the liberty to reveal because it was obtained or resulted from cooperation with a third party;
- b. The two governments will promote a system of scholarships for scientists and students for a period to be determined later;
- c. Whenever the two governments think necessary, there will be meetings between the two respective atomic energy commissions for the discussion and coordination of projects, including questions of industrial cooperation or any other problems that may arise in implementing the agreement;

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E.O. 12958 Sec. 3.6

MR05-05 #2, CIA 022 414105

del NARA Date 6/29/05

SECRET



- d. The two countries will arrange the release or sale of material needed in their programs covering research on peaceful use of the atom. The release of material and equipment needed in research will be handled by joint agreement between the National Nuclear Energy Commission (CNEN) and the Indian government's Atomic Energy Commission.

Based on the above noted sources, it appears that the India/Brazil document is very similar to the India/Argentina agreement. Another indication of this is a press item in O Globo of 1 June 1974, quoting Indian Minister of State for Foreign Affairs, Surendra Pal Singh, to the effect that India's agreement with Argentina foresees only the exchange of information similar to the agreement signed with Brazil more than six years ago. It is assumed, therefore, that the Brazilian agreement like that of Argentina, is void of any references to international safeguards or inspections.

- * A request has been made for a copy of each of the official documents to the Atomic Energy Commission representative to the International Atomic Energy Association in Vienna through the A.E.C.



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

S 3a
April 14, 1975

MEMORANDUM FOR:

Mr. William D. Rogers
Assistant Secretary, ARA
Department of State

SUBJECT: Deltec and Argentina

Attached are some notes made following a meeting with Deltec officers and their lawyer. The meeting was held as a result of a request from the Vice President's office.

As you note, the point of the meeting was the request from Deltec that we drop hints to the Argentines that if their problem is not resolved, we may find ourselves in a Gonzalez Amendment and Trade Act exclusion situation. I'm not sure what the validity of the argument that the Gonzalez be invoked may be, though I suspect there may be some.

You may want to consider whether to make mention of this matter during the forthcoming visit.

Attachment: Memcon

Steve
Stephen Low



S

3b

2373

NATIONAL SECURITY COUNCIL

April 15, 1975

MEMO FOR: JEANNE W. DAVIS
FROM: STEPHEN LOW ^{SL}
SUBJECT: Deltec Intl. and
 Argentina

The attached memo for Jon Howe from you
is self-explanatory.



2373
→ Low
FYI
3C

MEMORANDUM

NATIONAL SECURITY COUNCIL

April 15, 1975

MEMORANDUM FOR:

JON HOWE

FROM:

JEANNE W. DAVIS

SUBJECT:

Deltec International and
Argentina

Attached for your information is a copy of the Memorandum for the Files done by NSC Staff Member for Latin America, Stephen Low on his meeting with the president and officers of Deltec International. Attached also is an excerpt from a State Department memo containing background information on Deltec's problems in Argentina.

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E.O. 12958, SEC. 1.4
NSC MEMO, 11/18/00, STATE DEPT. GUIDELINES
BY GA, NARA, DATE 7/02/2002



MEMORANDUM

NATIONAL SECURITY COUNCIL

April 10, 1975

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MEMORANDUM FOR THE FILES

Subject: Deltec International and Argentina
Date: April 10, 1975 (11:00 a.m. - 12)
Place: OEOB
Present: Clarence Dauphinot, Oakley Brookes, Max Stolper,
Stephen Low and Mary Brownell

Following a call from a member of the Deltec Board, Gus Levy, to Vice President Rockefeller, the Vice President's office asked the president of Deltec International, Clarence Dauphinot, to see me in connection with the problems which his company has encountered in Argentina.

Mr. Dauphinot came in with Mr. Brookes and Mr. Stolper (Berliner, Maloney, Gimer and Muir). The conversation was a lengthy one. The following are among the points that were made which add to those already on record as a result of previous Deltec representations with the Embassy in Buenos Aires and the State Department.

-- Deltec has already put its case before State Department officials at all levels. It is in close communication with Ambassador Hill in Buenos Aires and a number of Senators and Representatives of the Congress have been informed. However, it has not heretofore come to the White House to ask Executive branch assistance. Before becoming Vice President, Mr. Rockefeller had been helpful and had given good advice.

-- The State Department has not been uncooperative and Ambassador Hill has seen both the Minister of Justice and Foreign Minister on this issue. Deltec felt that the atmosphere was now more conducive towards a settlement. Further official expressions of our desire to see a resolution of the problem could therefore be particularly helpful at this stage.

-- Deltec's lawyers are of the view that the Hickenlooper and Gonzalez amendments (which prohibit U. S. support for bilateral

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E.O. 12958, SEC. 1.5
NSC MEMO, 11/19/00, STATE DEPT. GUIDELINES
BY 66 NARA, DATE 7/2/2002




and international financial institutions' assistance to nations which have failed to compensate after nationalization or other seizure) could be invoked in this case as could the Trade Act's provision limiting access to preferences in the same circumstances. Deltec does not seek a confrontation with Argentina and does not at this stage intend to request that Treasury apply this legislation, nor would it consider at the moment action against Argentine assets such as shipping. However, Mr. Dauphinot felt that expressions by U.S. representations in the IFI's as well as in Argentina, indicating our concern that such legislation may eventually be invoked, would provide a useful impetus towards solution.

-- In Deltec's view, the blatant corruption and extortion which had been practiced against them will continue. They maintain that "everyone" in Argentina is on the take. Deltec would not be a party to this and had refused several offers to fix everything for substantial prepayments. Payments as commissions for services rendered were something else. They would be quite prepared to pay what was due in such a case.

-- Their greatest concern was the terrorist movement which they felt had the potential of thwarting any solution which was a public act, as they indicated had been the case in the past when judges had reversed themselves as a result of threats to their lives.

-- The group also mentioned that the Argentine Government was studying the possibility of requesting extradition against the Americans for fraudulent bankruptcy, which is an extraditable crime under our treaty with the Argentines.

I questioned whether invocation of the restrictive amendments could really help, and they recognized this. I also noted the great sensitivity at the present by local governments to espousal by the U.S. of claims by its companies, particularly in view of the current Latin American attention focussed on the subjects of "economic coercion" and standards of conduct for the multinationals. I promised to transmit their views to the Vice President as well as to the State Department, and expressed my hope that the current climate might be more conducive to finding a settlement.


Stephen Low

~~CONFIDENTIAL~~



Excerpts from a memo to the Secretary from L - Carlyle E. Maw on:

"Deltec Investments in Argentina"

dated June 25, 1974

Deltec International is a company nominally incorporated in the United Kingdom. It operates from the Bahamas, through various subsidiaries, a variety of banking, financial and food services in the United States and a number of Latin American countries, including Argentina. A majority of the directors and officers of Deltec International are American citizens, and it appears that a substantial majority of the shares is owned directly or indirectly by American citizens.

The major Deltec concern in Argentina, Swift de la Plata (meat packing) has been involved for several years in complex bankruptcy litigation in Argentina. An Argentine court, ultimately upheld by the Argentine Supreme Court in September 1973, on the basis of alleged irregularities in transactions between Deltec subsidiaries, held all Deltec's Argentine subsidiaries jointly and severally liable for the obligations of Swift. Some assets owned by unrelated Deltec enterprises (investment banking, sugar refining) have been attached in order to satisfy Swift's debts. We do not have hard figures. The alleged irregularities on the part of Swift and other Deltec subsidiaries in Argentina have now also become the basis for criminal actions against a number of Deltec officers, several of which are U.S. citizens and / or reside in the United States. None of the criminal defendants have been arrested, although the Argentine Government has formally requested the extradition of a Deltec officer from Spain.

We are, unfortunately, not in a position on the basis of the information we presently have to determine with any certainty whether Deltec has engaged in any of the alleged irregular practices. Likewise, we are unsure of the extent of political bias or lack of due process afforded Deltec in the court proceedings. Deltec is challenging the bankruptcy decision, insofar as it affects companies other than Swift, in the Argentine courts, and will resist as well the criminal actions.

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E.O. 12958, SEC. 8.5
NSC MEMO, 11/20/00, STATE DEPT. GUIDELINES
BY 649, NARA, DATE 7/2/2002



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CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20426



April 28, 1975

ccm file - 403 - with stay

IN REPLY REFER TO: B-1-59a

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Transmitted for your review is a copy of the Board's proposed order concerning the disapproval of a schedule proposed by Aerolíneas Argentinas (Docket 24248). This order is submitted pursuant to section 213.3(d) of the Board's Economic Regulations (14 CFR 213.3(d)).

The order disapproves a schedule proposed by Aerolíneas Argentinas which would increase the carrier's service between Lima and Los Angeles. As the Government of Peru continues to restrict the U.S. flag carrier's operations to Peru and beyond to third countries, the Board believes it would be inappropriate to permit a third country carrier to take advantage of that situation by improving its schedules between Lima and the United States at the present time. The order will remain in effect until further order of the Board.

Under section 213.3(d) of the Board's Economic Regulations, the Board's order is final unless the President stays or disapproves the order not later than ten days following its submission by the Board. No action is necessary if you do not wish to stay or disapprove this order.

Respectfully yours,

/s/ John E. Robson

Chairman

Enclosure



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UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

ACCORDINGLY, IT IS ORDERED THAT:

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.
on the 25th day of April, 1975

The schedule filed April 9, 1975 which contemplates the addition of a stop in Lima on flight 372/3 (Buenos Aires-Bogota-Mexico City-Los Angeles and return) be, and it hereby is, disapproved and shall not be inaugurated;
In the matter of the :
schedules of :
AEROLINEAS ARGENTINAS :
Docket 24248
This Order shall be submitted to the President and shall become effective on

NOTIFICATION AND ORDER DISAPPROVING SCHEDULES

Aerolinas Argentinas is the holder of a foreign air carrier permit issued pursuant to Order 73-5-47 authorizing it to perform foreign air transportation with respect to persons, property and mail, over three routes between a point or points in Argentina, via specified intermediate points, to New York, Miami and Los Angeles. There exists no formal Air Transport Services Agreement between the Government of the United States and the Government of Argentina. The rights exchanged are based primarily on comity and reciprocity.

Order 72-2-88 requires Aerolinas to file with the Civil Aeronautics Board copies of any and all proposed schedules of service between Argentina and the United States at least 30 days prior to the proposed effective date of such schedules. On April 9, 1975 Aerolinas requested a waiver of the 30-day filing period in order to add a stop in Lima, Peru on an existing Buenos Aires-Bogota-Mexico City-Los Angeles and return flight (372/3). Insofar as the Government of Peru continues to restrict the U.S.-flag carrier's operations to Peru and beyond to third countries, the Board finds it would be inappropriate to permit a third-country carrier to take advantage of that situation by improving its schedules between Lima and the United States at the present time. Accordingly, it is concluded that operation of the modified flight proposed by Aerolinas would adversely affect the public interest.

This order was submitted to the President on April 28, 1975.



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UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

ACCORDINGLY, IT IS ORDERED THAT:

1. The waiver of the 30-day filing period, which would have permitted Aerolneas to add a stop in Lima, Peru on flight 372/3 (Buenos Aires-Bogota-Mexico City-Los Angeles and return) effective April 10, 1975, be, and it hereby is, denied;

2. The schedule filed April 9, 1975 which contemplates the addition of a stop in Lima on flight 372/3 (Buenos Aires-Bogota-Mexico City-Los Angeles and return) be, and it hereby is, disapproved and shall not be inaugurated;

3. This Order shall be submitted to the President 1/ and shall become effective on

4. This Order shall remain in effect until further order of the Board; and

5. This Order shall be served on Aerolneas Argentinas and the Ambassador of Argentina in Washington, D.C.

This Order will be published in the Federal Register.

By the Civil Aeronautics Board:

Edwin J. Halland

Secretary

(SEAL)

1/ This order was submitted to the President on April 28, 1975.



4c
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CIVIL AERONAUTICS BOARD
WASHINGTON, D.C. 20428



April 28, 1975

IN REPLY REFER TO: B-1-59a

Mr. David M. Bray
Deputy Associate Director for
Economics and General Government
Office of Management and Budget
Washington, D.C. 20505

Dear Mr. Bray:

There is enclosed a letter of transmittal to the President together with the Board's proposed order in the matter of disapproval of a schedule proposed by Aerolineas Argentinas. Additional copies of the letter and order are enclosed for your convenience. Except as noted below, no distribution of copies of these documents has been made by the Board. In connection with any distribution which the Office of Management and Budget may find necessary or desirable, it is suggested that the recipient's attention be invited to the fact that until action is taken by the President, the document is confidential in nature and should be treated accordingly.

Sincerely,

/s/ John E. Robson

Chairman

Enclosures

cc: Honorable Robert H. Binder, Department of Transportation
Mr. Michael H. Styles, Department of State
Mr. John H. Niehuss, The White House
Mr. Robert D. Linder, The White House
Ms. Barbara Bowie, National Security Council
Mr. George Eads, Council on Wage and Price Stability
Mr. Dudley Chapman, Office of Counsel to the President
Mr. Peter Klarfeld, Department of Justice



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Department of State

TELEGRAM

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file - Arg. - econ.

PAGE 01 STATE 109719

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 L-02 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SSO-00 NSCE-00
SS-15 NSC-05 SP-02 PRS-01 USIE-00 PA-01 INRE-00 H-02
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DRAFTED BY EB/OA:MHSTYLES:VLV
APPROVED BY EB/OA:MHSTYLES
ARA/APU - MR. SMITH

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FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES IMMEDIATE

LIMITED OFFICIAL USE STATE 109719

E.O. 11652: N/A

TAGS: EAIR, AR

SUBJECT: CIVAIR - US/GOA TALKS

REF: B.A. 3181, STATE 100767

1. PRESIDENT ON MAY 7 SENT FOLLOWING LETTER TO CHAIRMAN
CAB:

QUOTE. I HAVE REVIEWED PURSUANT TO SECTION 801(A) OF THE
FEDERAL AVIATION ACT AND SECTION 213.3(D) OF THE
BOARD'S ECONOMIC REGULATIONS, 14CFR SECTION 213.3(D), THE
BOARD'S PROPOSED ORDER IN DOCKET 24248 DISAPPROVING THE
MODIFIED SCHEDULE FILED BY AEROLINEAS ARGENTINAS ON
APRIL 9, 1975. THE PROPOSED MODIFICATION WOULD ADD A STOP
IN LIMA, PERU, ON AN EXISTING BUENOS AIRES-BOGOTA-MEXICO
CITY-LDS ANGELES AND RETURN FLIGHT.

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Department of State **TELEGRAM**

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PAGE 02 STATE 109719

I AM STAYING THE ORDER FOR REASONS OF OUR FOREIGN POLICY WITH RESPECT TO THE GOVERNMENTS INVOLVED. WHILE I AM SYMPATHETIC WITH THE ATTEMPT TO PREVENT FOREIGN AIRLINES FROM TAKING ADVANTAGE OF RESTRICTIONS WHICH THE GOVERNMENT OF PERU HAS IMPOSED ON UNITED STATES FLAG OPERATIONS, SUCH ACTION SHOULD BE DELAYED PENDING UPCOMING TALKS WITH THE GOVERNMENT OF ARGENTINA. UNQUOTE.

EMBASSY SHOULD DELIVER FOLLOWING NOTE TO GOA ASAP:

QUOTE. EMBASSY REFERS TO NOTE 221 OF JANUARY 31 CONCERNING COMMERCIAL AIR TRANSPORT RELATIONS BETWEEN THE UNITED STATES AND ARGENTINA AND TO INFORMAL DISCUSSIONS ON THIS MATTER WHICH HAVE TAKEN PLACE IN RECENT MONTHS BETWEEN REPRESENTATIVES OF THE MINISTRY AND THIS EMBASSY.

ALTHOUGH THE UNITED STATES GOVERNMENT CONTINUES TO HAVE UNFULFILLED RIGHTS STEMMING FROM THE MEMORANDUM OF UNDERSTANDING OF DECEMBER 1972, WHICH UNDER ITS OWN TERMS WOULD HAVE NOW EXPIRED, IT IS WILLING TO COUNTENANCE CONTINUATION OF THE STATUS QUO FOR THE TIME BEING. HOWEVER IN VIEW OF THE CLARIFICATION WHICH HAS RESULTED FROM THE RECENT DISCUSSIONS AND IN LIGHT OF THE INTEREST IN EARLY CONSULTATIONS RECENTLY EXPRESSED BY FONMIN VIGNES TO SECRETARY OF STATE KISSINGER, THE USG IS PREPARED TO ACCEPT THE ARGENTINE GOVERNMENT'S SUGGESTION THAT FORMAL CONSULTATIONS BE HELD. THE GOVERNMENT OF THE UNITED STATES SUGGESTS THAT THESE CONSULTATIONS BE HELD IN WASHINGTON BEGINNING JUNE 16.

IT IS THE UNDERSTANDING OF THE UNITED STATES GOVERNMENT THAT THE APPROPRIATE AUTHORITIES OF THE ARGENTINE GOVERNMENT WILL CONTINUE TO AUTHORIZE PAN AMERICAN WORLD AIRWAYS TO EXTEND A FIFTH ROUNDTrip FLIGHT TO MONTEVIDEO AS A TERMINAL POINT AS PROVIDED IN PAN AMERICAN'S CURRENT PERMITS, AND TO MAKE A CHANGE OF GAUGE AT CARACAS (VICE PANAMA) ON ONE OF ITS AUTHORIZED FREQUENCIES. THE USG WOULD APPRECIATE CONFIRMATION FROM THE GOVERNMENT OF ARGENTINA OF THIS UNDERSTANDING. UNQUOTE.

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Department of State

TELEGRAM

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PAGE 03 STATE 109719

3. IN DELIVERING NOTE, EMBASSY SHOULD ALSO MAKE AVAILABLE TEXT OF PRESIDENT'S LETTER PARA 1 ABOVE.
4. RE DATE FOR TALKS, WE ARE PROPOSING JUNE 16 BECAUSE OF SCHEDULE CONFLICTS AND DESIRE PROVIDE ADEQUATE TIME FOR PREPARATION. IF DATE IS NOT ACCEPTABLE, WE WILL CONSIDER ALTERNATIVE DATE GOA MAY SUGGEST.
5. RE SITE FOR TALKS, WE APPRECIATE FACTORS FAVORING BUENOS AIRES, BUT PERSONNEL AND SCHEDULING CONSIDERATIONS WOULD MAKE THIS DIFFICULT. EMBASSY MAY ALSO NOTE THAT, WHILE LAST ROUND WAS IN WASHINGTON, TWO PREVIOUS ROUNDS WERE IN BUENOS AIRES. KISSINGER



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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

ACTION

MEMORANDUM FOR THE PRESIDENT

Subject: Civil Aeronautics Board Decision: Aerolineas Argentinas
Docket 24248

The Civil Aeronautics Board has found it in the public interest to disapprove a schedule filed by Aerolineas Argentinas which would include Lima, Peru on its flight 372/3 (Buenos Aires-Bogota-Mexico City-Los Angeles and return). The Board has determined that it would be inappropriate to permit a third country carrier to improve its schedules between Lima and the United States at a time when the Government of Peru continues to restrict United States flag carrier operations.

The Department of State and National Security Council recommend you disapprove the Board's order since it would not be in the United States' interest to precipitate a confrontation on the eve of resumed intergovernmental aviation negotiations with the Government of Argentina. The Aerolineas Argentinas schedule, in addition, is not new, rather it represents a reinstatement of a previously operated service. Finally, these agencies believe that the schedule change at issue would not significantly divert traffic from the United States flag carrier and that on balance the benefit to the United States' aviation interests would be minimal.

INSERT
The Department of Justice, the Council on International Economic Policy, the Council on Wage and Price Stability, the Office of the Counsel to the President and the Office of Management and Budget defer to the foreign policy conclusions of the Department of State and National Security Council, and recommend you disapprove the Board's order.

INSERT
The Department of Transportation recommends that you stay the order because the Board's follow-up comments provide new information and require additional analysis that cannot be completed in the limited time available.

Pursuant to Section 213.3(d) of the Board's Economic Regulations, the Board's decision is final unless you stay or disapprove the order by May 7, 1975. No action is necessary if you wish to approve the Board's decision.

Walter D. Scott
Associate Director for
Economics and Government



Attachments;

Disapprove the Board's order thereby permitting the schedule
filed by the carrier to become effective.
Sign to the Chairman under TAB A.

Stay the Board's order to permit time for further analysis
Sign letter to the Chairman under TAB B.

Take no action, thereby upholding the Board's disapproval of
the proposed schedule.



INSERT

The Board has followed up its order with a letter that explains in more detail the rationale for its decision. The letter reviews the history of the present dispute between the United States and Argentina and concludes that the new Lima schedule requested by Aerolineas Argentinas is designed to take advantage of the Government of Peru's restrictions on the United States flag carrier. The Board cites its responsibility under the International Fair Competitive Practices Act of 1974 and believes that its proposed order is consistent with the intent of that Act and necessary in view of the history of civil aviation relations with Argentina.

The Department of State and the National Security Council have determined that the Board's follow up letter does not provide new information.



COUNCIL ON INTERNATIONAL ECONOMIC POLICY

WASHINGTON, D.C. 20500

September 4, 1975

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file

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MEMORANDUM OF CONVERSATION

PARTICIPANTS

Argentina: Antonio CAFIERO, Economic Minister
Dr. Guido DiTELLA, Secretary of State for
Planning and Economic Coordination
Dr. Leopoldo TETTAMANTI, Secretary of State
for Foreign Commerce
Ambassador Rafael VAZQUEZ

United States: Messrs. Seidman, Dunn, Rosenblatt and
Ms. Brownell

DATE: September 2, 1975, 3:20 P.M.

PLACE: Mr. Seidman's Office in the West Wing,
The White House

After brief introductory remarks by Ambassador VAZQUEZ, Mr. CAFIERO explained that the purpose of the series of visits to U.S. officials was to describe the current economic/political situation in Argentina and to indicate the steps that had been taken to solve some pressing problems. He asked Mr. DiTELLA to provide details on the economic situation.

Mr. DiTELLA noted that problem areas could be divided into three categories: foreign sector; fiscal; and inflation. As far as the foreign sector was concerned, Argentina faced a serious short-run problem in its balance of payments for 1975 which was not a consequence of long-term difficulties. He noted that in 1973 and 1974 Argentina had current account surpluses of \$700 million and \$240 million respectively. In 1974, however, serious inflationary problems appeared associated with the price freeze that had been instituted and by the first quarter of 1975, the current account deficit was \$955 million. Argentina tried to cope with this situation by administering a "shock treatment" which failed. Prices doubled in a two-month period. In spite of this failure, there was a dramatic

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E.O. 12958, SEC. 6.5

NSC MEMO, 11/20/88, STATE DEPT. GUIDELINES

BY 664, NARA, DATE 7/2/2002



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reversal in the current account situation with a resultant small surplus in the second quarter. Mr. DiTELLA indicated that he now anticipated a surplus of \$280 million in the current account for 1976. This more optimistic outlook is based on the supposition that the recently introduced crawling peg which ties the exchange rate of the Argentine peso to changes in the domestic prices would be successful.

In the fiscal area, Mr. DiTELLA indicated that the public deficit had moved from its historical 5 percent of GNP to about 15 percent for this year. Argentina had introduced some tax reforms to reduce this deficit to about 7 percent in the short run.

The rate of inflation is a long-term problem which will take time to solve. However, the recent trend is in the right direction Mr. DiTELLA noted, and he was optimistic that recent policy changes would be helpful in moderating the inflation rate. Recent monthly rates were 50 percent in June, 35 percent in July, and some 23 percent in August. He hoped that Argentina would be able to achieve an annual rate of 60 percent for 1976, very high by U.S. standards but well below recent Argentine experience. Mr. CAFIERO then made some remarks on the political situation in which he noted that all sectors -- labor, business, military -- of the country were united behind this effort which gave him additional hope that the policy changes would be successful.

Mr. DiTELLA then noted that the short-run nature of the Argentine balance of payments problem now indicated that the 1975 deficit would run to \$600 million. He then indicated that Argentina had requested Secretary Simon to provide a two-year loan to Argentina of \$600 million. He felt this would clearly be of sufficient size and duration to get Argentina past the current crisis it now faced. In support of his request, he also noted that Argentina had provided some assistance to the U.S. in 1968 and that Argentina had traditionally run large trade deficits with the U.S. He also said that such action by the U.S. Government would provide the necessary confidence to private commercial banks in the U.S. to extend additional loans to Argentina.

Mr. Dunn stated (Mr. Seidman was called out of the room earlier) that he fully understood the situation Argentina faced, that he felt

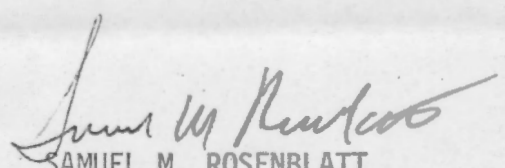
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the Ambassador and Economic Minister were proceeding skillfully and in a proper way to make their case known and that Secretary Simon and other Treasury officials certainly would give very careful consideration to the Argentine request. He also noted that Mr. Seidman had been pleased to receive the delegation for the President.

The meeting adjourned at 4:20 P.M.


SAMUEL M. ROSENBLATT
Assistant Director

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