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FROM :				AmEmbassy Buenos Aires			
SUBJECT :				Argentine Outlook on Meeting of LAFTA Foreign Ministers in Asunción			
REF :							
DATE:				August 26, 1967			
Enclosed is the memorandum of a conversation of August 22 between Embassy officers and two leading Foreign Ministry officials on the coming meeting of LAFTA Foreign Ministers in Asunción. The two GOA officials interviewed were Ambassador Alberto A. Fraguio, recently designated to head a new Undersecretariat for Inter- national Economic Relations, and Dr. Enrique Peltzer, who as Director of Planning advises the Foreign Minister on the political aspects of regional integration.				MARTIN			
Enclosure: Memorandum of Conversation							
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MEMORANDUM OF CONVERSATION

Date: August 22, 1967
Place: Dr. Peltzer's Office

SUBJECT : Meeting of LAFTA Foreign Ministers in Asunción

PARTICIPANTS: Ambassador Alberto A. Fraguio, Undersecretary for
International Economic Relations (Designee)
Dr. Enrique Peltzer, Director, Foreign Ministry Planning
Office
Albert P. Mayo, Economic Counselor, AmEmbassy
Buenos Aires
Harry M. Montgomery, Economic Officer, AmEmbassy
Buenos Aires

(The occasion of the visit was to meet Dr. Fraguio, to whom Dr. Peltzer had offered to introduce the Embassy officers. Dr. Fraguio, whose promotion to ambassadorial rank was officially announced on August 23, is to be chief of what up to now has been the Bureau of Economic Affairs. Although not yet officially, the title of this unit has been changed to the Undersecretariat for International Economic Relations, and Dr. Fraguio will assume the title of Undersecretary.)

Argentina's Leading Role in LAFTA

After the introductions, Dr. Fraguio said he thought Argentina's leading role in LAFTA was not generally appreciated and he wanted to review the record of Argentina's unswerving support of LAFTA and of Latin American economic integration. Unfortunately, the government's press relations on this subject had been poor. Since the inception of LAFTA, Argentina has increased its percentage of all the concessions granted in the annual negotiations from about 13% (in 1962) to over a third in the period 1964-66. The real measure of the importance of these concessions is the actual increase in LAFTA trade that has occurred. In 1965, for example, increased Argentine imports from LAFTA were responsible for 70 percent of the total increase in intra-zonal imports. In 1966, it is true, Argentine imports from LAFTA were only 25% of the total, but 1966 was a recession year and the drop in Argentine imports from LAFTA was proportionately much less than the drop in total Argentine imports.

It was suggested that the general impression that Argentina was dragging its feet on LAFTA had had some basis in the initial silence of the Onganía Government and the known hostility of ex-Economy Minister Salimei towards LAFTA. Further, the appointment of Special Ambassador Oneta Gaona, a known

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critic of LAFTA, to head the Argentine LAFTA Delegation to the Sixth Annual Conference had also strengthened this impression. Fraguio said it was Argentina's actions, not words, that counted. The Salimei position represented a "brief aberration" in the seven-year history of firm Argentine support for LAFTA. Dr. Peltzer added that like any new government the Onganía Government had been wary of commitments undertaken by previous governments, but as awareness of the importance of LAFTA to Argentina had grown, the Government had assumed Argentina's traditional positive approach to LAFTA. When it was suggested that the change in attitude seemed to have coincided with the naming of Krieger Vasena as Economy Minister, Dr. Peltzer said the Foreign Minister in the LAFTA meeting in December had prepared the way for President Onganía's Punta del Este pledge of support for Latin American economic integration.

Argentine Approach at Asunción

The GOA will stand firmly at the Asunción meeting by the Punta del Este Declaration of the American Presidents, Fraguio said. The essential job is to perfect and implement this Declaration in a realistic fashion. The GOA does not believe in forcing the pace, with the risk of later retreat. It believes in advancing gradually in tune with the attitudes and possibilities of private enterprise. As shown by the fact that LAFTA businessmen so far have exploited only partially the concessions already in the national lists, businessmen still must adapt its structure to LAFTA's possibilities.

Automatic Tariff Reductions and Zonal Margins of Preference

Without indicating any specific approach to automaticity, Fraguio confirmed GOA acceptance of the need for LAFTA to adopt measures for "programmed tariff reductions" to go into effect by 1970. As a preliminary measure, in a sense advancing this purpose, he said, a resolution will be proposed at Asunción to make a one-time across-the-board tariff cut in favor of all other LAFTA members, thus establishing a zonal margin of preference on all products. The GOA, he indicated, favors a cut of about 20%. Whether additional cuts of this nature might be made in subsequent years would depend on the circumstances then pertaining.

Common List

Fraguio said automatic tariff reductions for items on the common list is a separate issue. The GOA may support adoption of a measure to eliminate duties on common list items in annual installments between 1968 and 1973. (In effect, these items would all be put on the various national lists.) Experience has shown, Fraguio said, that it is impractical to put items on the common list without making concurrent tariff reductions and then expect total and abrupt elimination of duties on these items upon completion of the Treaty's transitional period. In respect to the second common list, Fraguio said the GOA already has proposed an ample list including a large number of industrial products and has also indicated what items it could accept from those proposed by other members. A real confrontation of lists and negotiations is to get underway in September.

Common External Tariff

Fraguio emphasized the necessity for moving eventually to a LAFTA common external

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tariff (and common non-tariff treatment of imports) in order to put the various national economies on a basis of fair competition.

Subregional Integration

Peltzer said the GOA has always supported the "most open and flexible" approach to subregional integration. Pressed on whether the GOA would accept exclusive subregional arrangements, Fraguio indicated he personally would support such arrangements if it is clear (1) they will not tend to be divisive of continental integration but instead will accelerate this general process, and (2) they will lead rapidly to more competitive conditions in the industries of the countries concerned. Both Peltzer and he made the point that once certain industries of the Andean countries benefit from subregional arrangements, then these countries would lose all claim to preferential treatment by other LAFTA countries. By definition the problem of their "inadequate markets" would be resolved. Peltzer said he doubted that many of the Governments interested in subregional arrangements had thought through this proposition.

Uruguay's Plea for Treatment as a "Relatively Less-Developed Country"

Fraguio saw no technical barriers to according Uruguay such treatment. Although Paraguay, for instance, might on principle oppose extending this status to another country, Paraguay and Uruguay in fact are not competitive in their LAFTA trade. Commenting on the status of "countries of inadequate markets," the intermediate status now accorded Uruguay, Chile, etc., he and Peltzer said this has caused all sorts of headaches -- its institution was a mistake.

Convergence of LAFTA and CACM

Fraguio said the possible complementation of Argentina's temperate zone economy by the tropical zone economies of Central America lends a theoretical interest to the integration of LAFTA with CACM. The GOA, however, does not wish to push creation of a formal structure to integrate the two groups faster than the growth of real trading possibilities. Fraguio said one proposal to facilitate integration with the CACM which is expected to be presented at Asunción would permit individual LAFTA members to accord unilateral special preferences to the CACM on various products such as coffee. The justification for these preferences would be characterization of the CACM countries as "relatively less developed." Fraguio said such an arrangement would present no problem for Argentina if it is found to be consistent with the terms of the Montevideo Treaty.

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Resolution of Disputes

Peltzer said the resolution on peaceful settlement of disputes adopted by the Second Foreign Ministers Meeting is now under legal study. He indicated that the political environment in Argentina for such a mechanism is "now somewhat more favorable" than it was last December, with a genuine disposition on the part of the GOA to work out implementing rules.

Technical Commission

Fraguio insisted the GOA is neutral on the issue of the Technical Commission. It is in no sense opposed to its constitution as long as technically qualified members are chosen, he said.

Industrial Planning and Investment in the Relatively Less-Developed Countries

Asked how the GOA would approach the problem of directing industrial investment to the relatively less-developed countries, Fraguio called this the \$64 question. However, he said, it is not specifically on the MFM agenda. Fraguio said he could not see how, under the Argentine constitution, private capital could be restricted from making investments in industries to be reserved for less-developed countries. Special tariff concessions for particular products might help serve this purpose, as does the disposition of the Directors representing the LAFTA countries on the board of the IDB to give special consideration to projects in the relatively less-developed member countries.

Brazil

Peltzer said he saw some evidence of a recent improvement in the attitude of the Brazilian Government toward regional integration, and hoped this would be in evidence in Asunción. Peltzer recalled suggesting to Lincoln Gordon that new governments generally seem to start off with considerable reserve on integration, revising this posture as they gain knowledge and confidence.

Decision to Exclude US Observers from Meeting

In an attempt to draw out the reasons why Argentina has opposed inviting the United States to send an observer to the Asunción meeting, Dr. Peltzer and Fraguio were asked on what issues was unanimity required. It was hinted that the reporting officers were aware that Argentina had joined with Brazil in opposing the invitation. The Argentine officials did not choose to refer to the matter explicitly. Peltzer said that the Argentine position is normally left to the discretion of its permanent representation in Montevideo. He said that where differences of opinion exist, the

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GOA supports the principle of unanimity, deferring to the wishes of the minority even when the GOA itself shares the majority view. When a particular country is unwilling to go along with the majority -- when there is no "consensus" -- the general practice not only of Argentina but of other members is to defer to that country rather than try to force it to accept a position which it has its own good reasons for opposing.

Delegation

Peltzer and Fraguio indicated that, besides themselves, the following are expected to accompany the Foreign Minister to Asunción: Undersecretary for Foreign Commerce Enrique G. Valente, Economy Ministry Advisors Raúl Peyceré and Manuel San Miguel, Simon Bullo of the Central Bank,

Foreign Ministry Acting Director of Economic Affairs Enrique Carrier, and First Secretary Jorge Alfonso. Most of the party will not depart until August 27.

Fraguio

This was the Embassy officers' first interview with Fraguio. They found him friendly but businesslike and very well informed on technical details. Fraguio repeatedly characterized himself as a free-enterprise man and as a "tecnicián." He directed attention to an article he had written on "Argentina and the Process of Regional Economic Integration" carried in the February 11 issue of the Review of the River Plate. Copies of this article are being transmitted to the Department under separate cover.

Fraguio is of below-average height, age 55, with close-cropped, graying hair. Although the interview was conducted in Spanish, he speaks fluent English.

COMMENT

It is noteworthy in respect to Argentine policy on regional integration that its new top official in the field of international economic policy is a convinced supporter of LAFTA as well as an expert on Latin America -- a former OAS and IDB official specializing in the affairs on the countries of Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay. The River Plate article may have had something to do with his appointment.

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