

# Human Rights and Economic Policy Under the Argentine Military Dictatorship

# 1976-1983

BY GREG ROSS



# Human Rights and Economic Policy

## UNDER THE ARGENTINE MILITARY DICTATORSHIP, 1976-1983

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The conflict between a liberal economic agenda and a politics of repression appeared throughout the Argentine military dictatorship. Tensions between the junta's pro-market and political agendas surfaced in various economic policies, such as international trade. During the dictatorship, Argentina increased trade with countries in the Soviet sphere: of the ninety-nine bilateral economic agreements signed between 1976 and 1983, thirty were with Soviet countries, China, or Cuba. Cases such as that of the military dictatorship suggest how domestic politics—especially the politics of human rights—can become intertwined with, opposed, and shaped by economic interests.



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On September 5, 1978 in Rome, the Vice President of the United States, Walter Mondale, met with Jorge Rafael Videla, the president of the military government of Argentina.<sup>1</sup> Argentine-U.S. relations assumed the focus of the meeting, as they had deteriorated over the previous months. At the root of this tension was the issue of human rights violations by the military junta, which had taken power on March 24, 1976. Critical of these violations, the administration of U.S. president Jimmy Carter applied various economic and diplomatic pressures on the junta.

One such sanction was applied earlier that year, in July of 1978. The U.S. Export-Import Bank cancelled its loan to Allis-Chalmers, an American company that had bid on a contract for the construction of the Argentine hydroelectric dam Yacyretá. The Carter administration demanded that Videla improve the human rights situation in order to restore the loan. These conditions included a visit by the Inter-American Commission on Human Rights (IACHR) to Argentina in the following months. The administration hoped the visit would shine a spotlight on the junta's brutal tactics of repression.

Videla had previously resisted a visit by the IACHR, for clear reasons. By September of 1978, however, the president faced other problems. On the one hand, there were divisions within the junta: the commander of the Navy, Emilio Massera, considered the Yacyretá project central to the Navy's interests. Massera pressured Videla to convince the Carter administration to reverse its decision and restore the loan. On the other hand, the Argentine government's aim to create a stable and open economy was endangered by the loan's cancellation. To maintain its economic goals—in this case, foreign investment—the government would need to improve its dismal record of human rights violations.

Indeed, the «National Reorganization Process» promoted by the Argentine dictatorship consisted of various economic goals in addition to its political priority of

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<sup>1</sup> United States. U.S. Embassy in Buenos Aires. *Meeting Between the Vice President and President Videla*. Viron P. Vaky to Raul Castro, 1978.



eradicating domestic terrorism. The dictatorship hoped to stabilize an economy plagued by various structural problems, and it believed the opening of the Argentine economy to foreign investment was crucial to this campaign. When José Alfredo Martínez de Hoz became Minister of the Economy in 1976, Argentina faced a high rate of inflation, barriers to international trade, and a restricted financial sector. To address these problems, Martínez de Hoz intended to pursue a pro-market agenda consisting in a reduction of tariffs, bank reforms, and the privatization of state enterprises.

At times, the dictatorship's political ambitions clashed with its economic policy. Although the National Reorganization Process aimed to achieve both economic and political stability, these goals could be mutually exclusive. The conflict between a liberal economic agenda and a politics of repression —already evident in the negotiations surrounding Yacyretá and the IACHR— surfaced throughout the dictatorship. The privatization of state enterprises, for example, proved central to the regime's pro-market policies. At the end of 1975, according to the Argentine economist Juan Carlos de Pablo, there were 747 state enterprises. After five years of the military dictatorship, 120 of these enterprises had been privatized, liquidized, dissolved, or transferred to other governing bodies.<sup>2</sup>



**SOME STATE SERVICES —THE GARBAGE COLLECTION, FOR EXAMPLE, OR THE BUENOS AIRES SUBWAY— WERE SMOOTHLY TRANSFERRED TO PRIVATE OR MUNICIPAL ENTITIES. BUT THIS WAS NOT THE CASE WITH ALL STATE HOLDINGS (...)**

Some state services —the garbage collection, for example, or the Buenos Aires subway— were smoothly transferred to private or municipal entities. But this was not the case with all state holdings: some failed to attract interested capital, and others remained under state control for political reasons. In 1977, the government declared the Petrochemical Center of Bahía Blanca to be an enterprise of national interest, effectively preventing its privatization.<sup>3</sup> Another state service to be similarly designated was the National Company of Telecommunications (ENTEL). «It wasn't possible to find private administrators for ENTEL, because it was one of the enterprises most infiltrated by terrorism,» said Martínez de Hoz in 1991.<sup>4</sup> A similar concern was evident in Law 22.285, which established new broadcasting regulations. Although the law permitted individuals to own radio and television programs, it simultaneously established various conditions for these programs, including the requirement that their content elevate «the morals of the population» and foster «respect for the institutions of the Republic.»<sup>5</sup> In

<sup>2</sup> De Pablo, Juan Carlos. *La Economía Argentina En La Segunda Mitad Del Siglo XX*. Tomo I. Buenos Aires: La Ley, 2005. p. 1064

<sup>3</sup> De Pablo, p. 1060.

<sup>4</sup> De Pablo, p. 1053.

<sup>5</sup> Argentina. Ministerio de Justicia y Derechos Humanos. Presidencia de la Nación. *Ley N 22.285*. Buenos Aires, 1980.



order to retain control of content, the government avoided a complete privatization of the broadcasting industry.

This type of privatization was called «peripheral privatization» by Martínez de Hoz, who said in 1991 that many of his efforts centered on the «gradual transfer of [government industries] to the private sector, through public works and service contracts.»<sup>6</sup> As media that could facilitate subversive communication, broadcasting and telecommunications services remained protected by the state. For any government, various factors lie behind the decision to privatize a state enterprise: its efficiency, the fiscal deficit, and pressures by international organizations. For the military dictatorship, however, the political agenda of repression proved to be a recurring point of consideration. Roberto Alemann, Minister of the Economy in 1982, said, «I won't privatize absolutely anything that I'm not given political authority to do so.»<sup>7</sup> Services such as ENTEL remained in the hands of the state until the wave of privatization under Carlos Menem. During the dictatorship, the repression of political opposition occupied the center of state concerns and assumed a central role in economic decisions.



**SERVICES SUCH AS ENTEL REMAINED IN THE HANDS OF THE STATE UNTIL THE WAVE OF PRIVATIZATION UNDER CARLOS MENEM. DURING THE DICTATORSHIP, THE REPRESSION OF POLITICAL OPPOSITION OCCUPIED THE CENTER OF STATE CONCERNS AND ASSUMED A CENTRAL ROLE IN ECONOMIC DECISIONS.**

Tensions between pro-market economic policy and political agendas surfaced in other areas as well, such as trade. During the dictatorship, Argentina increased trade with countries within the Soviet sphere. In 1980, the Soviet Union (USSR) bought 20.1% of Argentine exports; 20.8% in 1982; and 25.1% in 1983.<sup>8</sup> This increase occurred despite pressure from the Carter administration to adhere to the embargo on grain sales to the USSR after the Soviet invasion of Afghanistan. According to Martínez de Hoz, the Argentine government «condemned the Russian invasion of Afghanistan, but at the same time announced that it would not support the grain embargo to the Soviet Union, since it did not consider the use of economic sanctions acceptable and suitable in those circumstances as a form of pressure or punishment in the realm of political relations between countries.»<sup>9</sup> In 1981, 80.3% of Argentine grain exports went to the USSR.<sup>10</sup>

<sup>6</sup> De Pablo, p. 1061.

<sup>7</sup> De Pablo, Juan Carlos. *La Economía Argentina En La Segunda Mitad Del Siglo XX*. Tomo II. Buenos Aires: La Ley, 2005. p. 47.

<sup>8</sup> Rapoport, Mario. «Argentina and the Soviet Union: History of Political and Commercial Relations (1917-1955).» *The Hispanic American Historical Review* 66, no. 2 (1986): 239-85.

<sup>9</sup> De Pablo, Juan Carlos. *La Economía Argentina En La Segunda Mitad Del Siglo XX*. Tomo I. Buenos Aires: La Ley, 2005. p. 928.

<sup>10</sup> Rapoport, p. 239.



In addition to the grain trade, the dictatorship developed many economic ties to socialist countries. Of the ninety-nine bilateral economic agreements signed by Argentina during the dictatorship, thirty were with Soviet countries, China, or Cuba.<sup>11</sup> This strong connection between socialist countries and Argentina is notable considering their differences in political ideology. Argentina strengthened its economic ties with the USSR despite its anti-Marxist domestic politics. The junta, after all, contended that the fight against terrorism and communism justified its repression of human rights. The frequent target of this repression —the Montoneros— had a Marxist political platform. In contrast to privatization efforts, therefore, the importance of international trade for the Argentine economy superseded certain political agendas.



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Other cases of the conflict between the domestic politics of the dictatorship and its economic agenda proved more explicit. For example, when the U.S. sold eight helicopters to Argentina in 1977, the Carter administration modified the order: the support bases for machine guns, included in the original design, were eliminated in order to accommodate concerns about the violent tactics used by the junta against its citizens.<sup>12</sup> One year later, the U.S. approved an amendment that halted all military assistance and equipment sales to Argentina.<sup>13</sup> This policy remained in effect until the Reagan administration, which began to restore relations with the dictatorship and relax the previous administration's human rights policy.

However, the Carter administration's concerns about Argentine human rights were not without internal opposition. In June of 1978, former Secretary of State Henry Kissinger visited Buenos Aires. In conversations with Videla, Kissinger indicated his support for the Argentine campaign against terrorism, causing concern among various American diplomats that his comments could weaken progress on the human rights front.<sup>14</sup>

The economic interests of the U.S. were in play as well. Following the cancellation of the Export-Import loan to the Yacyretá project, the American Chamber of Commerce in Argentina unanimously voted against the decision. The Chamber's president, Alexander Perry, wrote to the American diplomat Robert Pastor in July of 1978, «[This decision] can only result in the unnecessary bad will in a nation where billions of U.S. dollars are already invested. We strongly recommend this action be reversed before further

<sup>11</sup> Argentina. Ministerio de Justicia y Derechos Humanos. Presidencia de la Nación. *Leyes nacionales vigentes*. Buenos Aires, 1976-83.

<sup>12</sup> United States. Department of State. *Argentina*. p. 244-45

<sup>13</sup> United States. National Security Council. *Argentina: Your Questions*. Robert Pastor to Zbigniew Brzezinski, 1978.

<sup>14</sup> United States. Department of State. *Henry Kissinger Visit to Argentina*. Raul Castro, 1978. p. 1.



irreparable damage is done.»<sup>15</sup> Another cancellation of an Export-Import loan affected the U.S. corporation Boeing, which lost its financing for the sale of \$196 million worth of airplanes to Argentina. It had to turn to private banks and reduce the original order. Between 1977 and 1980, the U.S. voted against or abstained from twenty-three loans to Argentina from international financial institutions.<sup>16</sup> As the number of disappearances of Argentine citizens fell toward the end of the 1970s, the U.S. tended to abstain from voting, instead of explicitly voting against.<sup>17</sup>

According to documents declassified under the Obama administration, Pastor deliberated with the U.S. business community about the costs of the economic sanctions. He wrote in March of 1979: «What approach will permit us to sustain in the U.S. our overall human rights policy? When we take punitive steps toward Argentina, we not only enrage the right-wing ideologues, we also arouse the business sector and the media in the U.S.»<sup>18</sup> Pastor also expressed skepticism that this economic game could achieve a significant reduction in human rights violations, and he worried that too much economic pressure would prove counterproductive. In a state memo in August of 1978 he asked, «Have we gone too far?»<sup>19</sup> Although U.S. law required the denial of credit to countries with documented histories of human rights violations, a debate over the effectiveness of these sanctions continued within the walls of the State Department.



**ALTHOUGH U.S. LAW REQUIRED THE DENIAL OF CREDIT TO COUNTRIES WITH DOCUMENTED HISTORIES OF HUMAN RIGHTS VIOLATIONS, A DEBATE OVER THE EFFECTIVENESS OF THESE SANCTIONS CONTINUED WITHIN THE WALLS OF THE STATE DEPARTMENT.**

In Buenos Aires, Videla expressed concerns similar to Perry and Pastor. While Videla told U.S. officials that he understood bilateral relations were not always «easy,» his greater concern was when poor relations manifested among the public. This, according to Videla, was the case with Export-Import, since the Argentine business community was developing antagonist relations with U.S. policy.<sup>20</sup> Yet Videla knew the rules of the game as well: by the time he met with Mondale in Rome in 1978, Argentina had given more than a million U.S. dollars to a public relations firm in Manhattan to repair

<sup>15</sup> The American Chamber of Commerce in Argentina. Alexander Perry to Robert Pastor, 1978.  
<sup>16</sup> Cohen, Roberta. «Human Rights Diplomacy: The Carter Administration and the Southern Cone.» *Human Rights Quarterly*, no. 2 (1982): 212-42.  
<sup>17</sup> United States. National Security Council. *Argentina: Your Questions*. Robert Pastor to Zbigniew Brzezinski, 1978. p. 1.  
<sup>18</sup> United States. National Security Council. *U.S. Policy to Argentina*. Robert Pastor. p. 2.  
<sup>19</sup> United States. National Security Council. *Argentina: Your Questions*. Robert Pastor to Zbigniew Brzezinski, 1978. p. 2.  
<sup>20</sup> United States. Office of the Vice President. *Memorandum of Conversation, Ambassador Gardner's Residence, Rome, Italy*. p. 2.



its image in the U.S., and the government continued to indicate to the Carter administration that its domestic situation was improving.<sup>21</sup>

Argentine officials were acutely aware of the implications of human rights violations on the state of the economy. Already in the first year of the dictatorship, officials within the Ministry of Foreign Relations showed concern that the human rights situation could threaten financial support from the U.S. «The U.S. is willing to provide its greatest economic cooperation to those countries that have an economic plan consistent with the neoliberal orthodoxy,» wrote Diego Felipe Medús, the director of the Department of North America, in August of 1976. «However,» he continued, «they are starting to condition such support on the problem of human rights with respect to our country.»<sup>22</sup>

The unease expressed by Medús materialized the following year as international institutions examined the human rights violations committed by the dictatorship and began to withdraw credit to Argentina. In 1977, Martínez de Hoz met with Michael Blumenthal, the U.S. Secretary of the Treasury, in order to voice concerns over two retracted loans from international financial institutions. When Blumenthal attributed the retraction to the violation of human rights in Argentina, Martínez de Hoz became «defensive» and «asked who worries about human rights for the victims of the terrorists,» according to declassified documents.<sup>23</sup> The economic minister had reason to worry: by August of 1978, the Export-Import Bank had denied \$683 million of loans to Argentina due to human rights violations. The loan for Yacyretá represented \$270 million by itself.<sup>24</sup>

By the time they met in September of 1978, with both the Argentine and American governments under pressure from their respective economic interests, Videla and Mondale arrived at a compromise. Videla would permit a visit from the IACHR in exchange for the restoration of the Yacyretá loan from the Carter administration. While the visit by the IACHR in September of the following year represented a positive step for the international organizations that had pushed for a more open and transparent Argentina, it did not mark the end of the junta's violations.



**(...) ARGENTINA HAD GIVEN MORE THAN A MILLION U.S. DOLLARS TO A PUBLIC RELATIONS FIRM IN MANHATTAN TO REPAIR ITS IMAGE IN THE U.S., AND THE GOVERNMENT CONTINUED TO INDICATE TO THE CARTER ADMINISTRATION THAT ITS DOMESTIC SITUATION WAS IMPROVING.**

21 United States. National Security Council. *Argentina: Your Questions*. Robert Pastor to Zbigniew Brzezinski, 1978. p. 3.

22 Argentina. Ministerio de Relaciones Exteriores y Culto. Departamento América del Norte. *La posición de los Estados Unidos de América en relación con la República Argentina y la República Oriental del Uruguay*. Diego Felipe Medús, 1976.

23 United States. Department of State. *Secretary Blumenthal's Bilateral Meeting with Argentina, 1977*. p. 2.

24 United States. National Security Council. *Argentina: Your Questions*. Robert Pastor to Zbigniew Brzezinski, 1978.





The IACHR report did not indicate much progress. Evidently, «numerous and serious fundamental violations of human rights» had occurred between 1975 and 1979.<sup>25</sup> These violations would continue after the report. «Though drastically reduced in numbers from previous levels, disappearance continues to be the standard tactic,» the U.S. Embassy reported a year after the IACHR visit.<sup>26</sup> The embassy attributed any reduction in disappearances to the fact that the number of active Montoneros had also declined. It concluded that «international sanctions and opinion are given less weight by the military than the need to clean up the remanants [sic] of the anti-terrorist war,» casting doubt on the success of the U.S. efforts to induce change through economic means.

Although the IACHR report had little effect on the situation of human rights during the dictatorship, the history of this interplay between political and economic interests remains relevant in the present day. Nowadays, as various governments employ economic sanctions to punish regimes for their violation of human rights, they should consider how, and when, economic pressure can produce positive change. Historical cases such as that of the Argentine military dictatorship suggest how politics—especially the politics of human rights—can become intertwined with economic issues. Greater access to archives and declassified documents allow us to investigate the intersection of human rights and the economy with more clarity, offering historical examples that illustrate and lend light to ongoing issues.

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**25** Comisión Interamericana de Derechos Humanos. *Informe De La CIDH*, 1978. <http://desaparecidos.org/nuncamas/web/document/internac/cidh79/index.htm>.

**26** United States. *U.S. Embassy in Buenos Aires*. *The Tactic of Disappearance*, 1980. p. 1.





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