

Reference ID	Created	Released	Classification	Origin
09BUENOSAIRES13	2009-12-31	2010-11-29	CONFIDENTI	Embassy Buenos
11	13:01	21:09	AL	Aires

VZCZCXYZ0000
RR RUEHWEB

DE RUEHBU #1311/01 3651344
ZNY CCCCC ZZH
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FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC 0292
INFO MERCOSUR COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
C O N F I D E N T I A L BUENOS AIRES 001311

SIPDIS

EO 12958 DECL: 2019/12/31
TAGS PREL, OVIP, ECON, KPAO
SUBJECT: (C) ARGENTINE GOVERNMENT TAKES UMBRAGE AT WHA A/S
VALENZUELA'S REMARK REGARDING BUSINESS COMMUNITY'S CONCERNS

DERIVED FROM: DSCG 05-1 B, D

¶1. (C) Summary: The GOA responded with heavy artillery to a remark WHA A/S Valenzuela made during a December 16 press roundtable. Immediately after the press roundtable, Argentine media started focusing almost exclusively on A/S Valenzuela's remark that the American business community in Argentina had conveyed to him concern about rule of law and management of the economy in Argentina. The press reported that Valenzuela contrasted these concerns "with the enthusiasm and investment intentions" of the American business community in 1996. GOA officials also expressed their dissatisfaction with the remarks. The Ambassador and other Country Team members used a December 17 reception for journalists to stress our desire to work constructively with Argentina, and the Ambassador has reached out to GOA officials to urge a prompt end to their criticisms. Government press is beginning to report a softening tone, but we think that it is too early to tell. End Summary.

¶2. (C) Immediately prior to departure from Buenos Aires on December 16, WHA A/S Valenzuela met at the Embassy with about a dozen Argentine print journalists. He followed 20 minutes of remarks by taking questions for another 20 minutes, explaining his desire to introduce himself to his regional counterparts and undertake a dialogue with them on regional developments.

Media Zero In on Perceived Criticism

¶3. (C) Despite the broad range of issues addressed by A/S Valenzuela, Argentine media started focusing immediately after the roundtable almost exclusively on A/S Valenzuela's remark that the American business community in Argentina had conveyed to him concern about rule of law and management of the economy in Argentina. The press also reported that Valenzuela contrasted these concerns "with the enthusiasm and investment intentions" of the American business community in 1996. (A/S Valenzuela's first official meeting in Buenos Aires was with the Executive Board of the AmCham.) As an example of the sensationalist nature of much of the reporting, La Nacion's banner front-page headlines on December 17 read, "Clash with the U.S. over Rule of Law in Argentina" and on December 18, "Protest to U.S. over Obama Envoy's Criticism."

Kirchner Allies Take Umbrage

¶4. (C) The GOA response came swiftly. That same night, three GOA ministries publicly commented (in a clearly coordinated fashion) on the Valenzuela remarks. Interior Minister Florencio Randazzo said "Argentina is enjoying a phase of complete institutional and legal guarantees. The country has left behind the times when a foreign official could come and say what needed to be done. There is no lack of rule of law. The difference now is that the Government protects the people, and in the 1990s it protected the companies' interests that took millions out."

¶5. (C) Following the Randazzo statement, the Foreign Ministry issued a four-point communique) saying that: (1) the generalized nature of the Assistant Secretary's remarks about supposed concerns in the American business community made it impossible for the GOA to address the alleged concerns; (2) the MFA had already written Ambassador Martinez to clarify similar remarks that she had made the previous week in Cordoba but had received no reply; (3) Argentine authorities had received no complaints from American companies operating in Argentina; and (4) the GOA reiterates its disposition to analyze "all aspects that allow us to promote reciprocal relations, especially economic, between the two countries. Open and consolidated channels are available to both governments for this dialogue."

¶6. (C) The GOA's third statement on December 16 came from Justice Minister Julio Alak, who called Valenzuela's statements "unusual and unjustified." Alak claimed that "rule of law is a fundamental asset in the country that has been protected and rescued from the more adverse conditions coming from the institutional and economic crisis in 2001 and 2002."

¶7. (C) After the initial salvos, the GOA officials who met with Valenzuela chimed in. Vice Foreign Minister Victorio Taccetti (who received Valenzuela December 15 at the MFA and hosted him for lunch) said, "Valenzuela is free to think as he wishes, but the truth is that 1996 is the prelude of the most important crisis Argentina faced. It is possible that he felt glad in 1996, but that ended in the 2001 crisis that impacted many companies, including some American ones. Argentina doesn't want to set off sparks ("sacarse chispas") with the United States; it is Valenzuela who opines without basing his statements on reality."

¶8. (C) Cabinet Chief Anibal Fernandez said, "We are not talking about a statement that comes from American businessmen, but of (Valenzuela's) prejudices, and that is much more sensitive and what worries me most. I was concerned to find out that he was critical of many Latin American democracies, and one of the supporters of the Washington Consensus."

¶9. (C) Argentine Ambassador to the United States Hector Timerman appeared on television and in the press to claim that he had urged A/S Valenzuela to meet with CGT labor leader Hugo Moyano and the opposition Radical Party (UCR), but that "he met only with the political right: De Narvaja, Macri and Cobos. He is sending a message on who are, in his views, the people with whom he needs to have dialogue."

¶10. (C) Argentine press reported that FM Jorge Taiana, who was in Copenhagen for the COP-15 meetings, used a brief pull-aside with Secretary Clinton to complain about Valenzuela's remarks. Taiana told the press that Valenzuela's words "were unfortunate and show his ignorance of the Argentine reality. His reference to the administration of Menem as a time of great growth, when it was precisely the time when Argentina was hurling headlong toward its worst crisis in history, like a train with no brakes, was even more unfortunate."

¶11. (C) Former president Nestor Kirchner said "the statements by someone who should come with a different policy for Latin America are deplorable. Valenzuela belongs to the groups that participated in the Washington Consensus; the neo-liberal model that caused so much damage to the whole region." Kirchner ally Deputy Agustín Rossi (leader of the FpV bloc in the Chamber) said "Valenzuela's visit was not encouraging. We thought the time when foreign officials came to lecture us was over." Regarding Valenzuela's comparison of the current reality with the one in the 1990s, he said: "it is a fallacy to say we were better with Menem's administration; the cracks of the convertibility plan were evident and led Argentina to bankruptcy." The leader of the FpV bloc in the Senate, Miguel Pichetto, said "Valenzuela keeps

adding mistakes to the U.S. relation to Latin America, because a diplomat visiting a country should be much more cautious when commenting on our domestic politics and the economic recovery our government achieved." A couple of days later, at a December 20 political rally, Nestor Kirchner said "disrespectful viceroys" should first criticize what was happening in the United States. He blamed Argentina's loss of rule of law on the U.S. crisis that "left millions of Americans without their jobs, homes or savings."

Opposition is Divided

¶12. (C) Reaction among the opposition was divided. Some, such as Santa Fe governor Hermes Binner, a highly regarded moderate Socialist and possible presidential candidate, said that Valenzuela's remarks tracked very closely with complaints that, they, too had heard from the business community. Others, such as Socialist Senator Ruben Giustiniani, who usually coincides with Binner, objected to any foreign official relaying any criticism of Argentina, while Radical congressional deputy Ricardo AlfonsC-n took issue with what he interpreted as Valenzuela's praise for Menem policies in the 1990s: "We, the Argentines, know that during those years there was a looting of national assets. For us, it was a disaster." However, the head of the Radical Party (UCR), Senator Ernesto Sanz (who joined Valenzuela's December 16 lunch with Vice President Cobos) said "it seems it was necessary that a foreigner come to say this. We have been denouncing the lack of rule of law from Congress for four or five years. With each law the Kirchnerists passed, (the country) moved one step towards a lack of rule of law." Another prominent opposition leader, Deputy Margarita Stolbizer (GEN), said, "Unfortunately, Valenzuela is right. This government condemned us to isolation because of lack of rule of law, and Valenzuela only relayed how the world sees us." Leftist congressional deputy and film director Pino Solanas (Proyecto Sur Bloc Leader) said, "I strongly repudiate Arturo Valenzuela's statements. He is the envoy of the empire whose government has legitimized the coup in Honduras. Mr. Valenzuela represents the government that keeps thinking the disastrous and tragic 1990s for Argentina are a model to follow."

Embassy Works to Smooth Feathers

¶13. (C) The Ambassador and other Country Team members used a December 17 reception for journalists to stress our desire to work constructively with Argentina, stressing our common interests and extensive cooperation. The Ambassador's conciliatory remarks received broad press play. The Ambassador

called VFM Taccetti, who offered her a long explanation of why the GOA in the wake of the 2001-02 crisis had been forced to "pesify" contracts that had been denominated in dollars at a new exchange rate that was disadvantageous to foreign businesses. (Note: "Pesification" has been a common theme of many of the complaints that U.S. investors took to the World Bank's International Court for the Settlement of Investment Disputes.) Those pesified contracts nonetheless continued to be profitable, Taccetti claimed. He said Argentina's current challenge, however, was to maintain employment levels, which explained the GOA position regarding Kraft and other labor disputes. Taccetti asked if Washington could issue a conciliatory statement. The Ambassador also requested a meeting with Cabinet Chief Anibal Fernandez to urge a prompt end to GOA public complaining about A/S Valenzuela's remarks. Press reported widely A/S Valenzuela's clarification (delivered at his next stop, Montevideo) that he was merely relaying some concerns expressed to him by American businesses operating in Argentina.

GOA Tones Down Its Commentary

¶14. (C) The GOA's Telam news service sent December 18 a story that led with "Cabinet Chief Anibal Fernandez sought today to lower the tone on the controversy generated by (Valenzuela's) remarks." The wire story quoted Fernandez saying he had "a very good conversation with Valenzuela on important topics, and Valenzuela never mentioned concerns about rule of law." Fernandez claimed that Valenzuela had several years ago made similar claims about Argentine rule of law, suggesting a predisposition to judge Argentina. "But this man is not the United States, no matter how important he is. The United States is the United States." Another wire service reported that VFM Taccetti said "This topic has already passed. Maybe (Valenzuela) knows why he said it. We think it's absurd. We are looking straight ahead... I think the points of agreement between United States and Argentina were aired in the meetings we had. No one else in the region has been more firm on Iran. We are working in Haiti... The agreements are notable. In general, U.S. policies and ours on international matters are in agreement."

AmCham Pleased with Press Coverage

¶15. (C) AmCham told post's Commercial Counselor that it was taking a positive response to press inquiries, talking up the positive contributions their members make to Argentina's economy and their desire for dialogue with the GOA on the business and investment climate. Subsequently, some AmCham members told us privately that they were pleased a high-ranking U.S. diplomat

publicly relayed their concerns. The AmCham President said he intended to take advantage of the opening offered by the MFA's request for specific concerns about the business climate by sending the MFA letter requesting a meeting to review concerns in detail.

Comment

¶16. (C) Once again, the Kirchner government has shown itself to be extremely thin-skinned and intolerant of perceived criticism. Concerns about the weakness of Argentina's institutions, and the rule of law in particular, are a dime a dozen in the Argentine press, voiced by academics, business leaders, judges, opposition politicians, pundits, and NGOs. Argentines are well aware that Argentina is not attracting as much investment as are Brazil, Chile, and others in the region. The business community's anxiety about arbitrary and capricious rule changes is well known to the Argentine public and the government. Only die-hard kirchneristas will agree with Randazzo's assertion that Argentina enjoys "full institutional and juridical guarantees," or the MFA's contention that it is unaware of any dissatisfaction on the part of any American company. For most Argentines, those are laugh lines or cynically disingenuous statements. That said, we hope that this contretemps will soon peter out, as has happened in similar such episodes in the past.

¶17. (U) This cable was cleared by WHA A/S Valenquela.
MARTINEZ