

## **EIR**SpecialReport

# After Argentina's elections: which economic policy?

by Dennis Small

Radical Party candidate Raúl Alfonsín won a stunning upset victory in Argentina's presidential elections on Oct. 30, defeating his Peronist Party opponent Italo Luder by a wide margin of 52 percent to 40 percent of the popular vote. Up to 6:00 p.m., when the polls closed, every single seasoned political observer consulted in Buenos Aires by this writer expected a close race between the two candidates, with most analysts forecasting a slim Peronist margin in the range of 42 percent versus 38 percent for the Radicals—with a handful of smaller parties splitting the remaining 20 percent of the vote.

By 2:00 a.m. the next morning, when the national vote pattern was unmistakably clear, Alfonsín had shocked the world with the magnitude of his victory, stunned the overconfident Peronists by handing them their first electoral defeat in their nearly 40-year history, and—as he later admitted—surprised even himself with the outcome.

The Argentine elections were followed closely around the world: they were the first in a decade in the entire convulsed Southern Cone of Ibero-America, and could very well lead the way for neighboring Brazil, Chile, Uruguay, and Paraguay.

The liberal international media, the world financial community, and the Socialist International joined the U.S. State Department in expressing euphoria, not so much over Alfonsín's victory as over Peronism's defeat. They had thrown all of their influence and support behind the Alfonsín campaign, fearing that a Peronist victory would lead to Argentina assuming a prominent role in the formation of an Ibero-American debtors' cartel and common market.

Henry Kissinger, informed Washington sources have reported to *EIR*, is expressing glib satisfaction with the electoral outcome, insisting that he has a firm commitment from the Alfonsín team that they will obediently pay off Argentina's controversial \$40 billion foreign debt and stick to an IMF framework.

It is unquestionably true that the Peronists would have implemented a far more nationalist program on the foreign debt; but it is far from established that Alfonsín intends to turn his government into a debt collection apparatus for the IMF. And even if he wanted to, he probably couldn't get away with it.



An Industrialized Argentina: Axis of Ibero-American Integration, by the editors of EIR, was released Oct. 27 in Buenos Aires.

On Friday, Oct. 28—the height of the electoral mobilization of the Argentine population—fully 2 million citizens took to the streets to engage in political activity. This is over 10 percent of the entire Argentine electorate; it is as if 15 million Americans all demonstrated at once in favor of one or another policy!

The Peronists led the mobilization, drawing close to 1.5 million people, 90 percent of them workers, to their closing electoral rally. In front of Buenos Aires's giant obelisk, a spirited but disciplined political rally extended for 16 city blocks down the famous Avenida 9 de Julio, the widest avenue in the world. The gathering was an awesome display of political commitment and nationalism, indicating the way in which Gen. Juan Perón—whatever his flaws—managed to imbue in his followers a sense of moral purpose for themselves and their nation. What most struck this reporter was the fact that the 1.5 million-person demonstration was *not* that of a Jacobin mob; in any other country of Ibero-America, a million-and-a-half-person demonstration would have left 50 dead, 600 wounded, and 100 shop windows broken. There was not a single incident at the mammoth Peronist rally.

At one point, candidate Luder called for a moment of silence in memory of General Perón, his wife Evita, and other “fallen Peronist heroes.” The roar and chants of a million and a half people subsided into complete silence.

While the Peronists were demonstrating in Buenos Aires, Alfonsín drew a crowd estimated at a half million in the industrial city of Rosario.

Whatever the differences in party affiliation and preferences, all 2 million demonstrating Argentines—and the 16

million other voters they represented—share two basic goals for their country:

- 1) To put an end to the military dictatorship which has run Argentina since the coup d'état of March 1976, and return the nation to democracy and normalcy; and
- 2) To reconstruct the shattered Argentine economy, which has been reduced to near rubble by seven years of strict Friedmanite looting.

### Dealing with the IMF

Whether the Alfonsín administration will satisfy these pent-up popular demands will depend principally on how he handles the issue of Argentina's debt renegotiation with the banks and the IMF. The IMF intends to place enormous pressure on Alfonsín to pay the debt, and pay it by further crushing the living standard of the population and dismantling what remains of its industrial capacities. A Swiss-linked banking source in Buenos Aires explained that over \$2 billion in capital would flee the country if Alfonsín did not “restore confidence” by quickly negotiating on the IMF's terms.

Alfonsín will have a particular political problem in handling this pressure. His 52 percent majority was formed by an inherently unstable voting bloc:

- 1) 25 percent was made up of the Radical Party's traditional hard-core base;
- 2) another 15 percent was a strictly *anti-Peronist* vote coming from independents and former Peronist sympathizers dismayed by Luder's campaign and by

the overbearing presence in it of a "trade-union mafia" that Alfonsín successfully tarred with the brush of a dirty alliance with the hated military; and

3) a final 12 percent came from a half dozen smaller parties—including those of the vehemently anti-Peronist oligarchy—who split their ballots in order to vote heavily for Alfonsín for president.

Against this, in the opposition, stands a hard-core 40 percent voting bloc of the Peronists, which voted for their movement despite its current problems and Alfonsín's well-heeled publicity campaign against them. They are battered by the electoral results, but far from finished politically. The Peronists control a majority in the new Senate.

Alfonsín will thus have to choose one of two courses for his government in the weeks immediately ahead. Either he can forge an alliance between the more nationalist faction within his own Radical Party and the Peronist opposition, in order to stand up to the IMF's demands and to reembarc Argentina on a course of industrial development. Or he can try to strike a "deal" with the IMF, which will mean a showdown between his government and the powerful Peronist-run trade unions in the first three months of his regime. This could lead to a dramatic further polarization of the country, and possibly conditions of near civil war.

That is the result that Henry Kissinger is known to devoutly desire. Six months ago, Kissinger told Argentine business acquaintances to pull their investments out of the country, since "the place is going to look like Iran." Rather than a forecast, Kissinger's comments should be read as a statement of *intent*: Kissinger and his British allies have yet to forgive Argentina for fighting the Malvinas War.

A highly placed Argentine military source, cognizant of the enormous pressures that will be brought to bear on the new Argentine government and the internal polarization it will confront, wryly told this reporter on election day: "The irony is that whoever wins this election could turn out to be the big loser. Unless he plays his cards right, he won't last six months."

### Alfonsín's issues

Three principal issues will determine which direction the Alfonsín administration moves in. There are already major policy fights occurring within his camp over each of them, even before he has named his cabinet.

**1) Debt and economic integration.** Will Alfonsín give priority to economic recovery, and tell the IMF to wait patiently in line for eventual repayment?

A tough line has already been taken by one of the leading figures of the Radical Party, Antonio Tróccoli, who is likely to get the powerful post of interior minister. He told the press that the new government favors a debt moratorium and renegotiation of the foreign debt on terms that will permit the government to gear up production and employ its idle capacity and unemployed manpower.

Throughout his campaign, Alfonsín himself emphasized

that he would strongly encourage economic integration policies with the rest of Ibero-America. In an exclusive interview with *EIR*, Alfonsín stated in April 1983:

Some kind of integration of Latin America must be brought about . . . we must work together to defend our interests. . . . We have to work together, at least to protect ourselves from being forced to pay usury. . . . I would not pay this usury. I am willing to fulfill our country's promises, but not on the basis of destroying our people by paying international usury. (See *EIR*, May 17.)

The day after the election, Alfonsín reiterated that recovery will take precedence over debt repayment:

We are not going to accept the recessive recipes of the IMF. We are not going to pay usury. And we are going to pay the debt—the legitimate debt—in accord with what we owe and with our exports. . . . No financier can pretend to collect the debt if markets are closed to our exports. We are going to demand a long-term renegotiation.

But such statements are contradicted by the views of Alfonsín's chief financial adviser Bernardo Grinspun, a banker with extensive links to Wall Street and the City of London who is expected to become either finance minister or head of the central bank in the next government. Grinspun is an outspoken advocate of the notorious Rohatyn Plan, whereby Third World debt would be renegotiated and placed under the direct control of a strengthened IMF or equivalent institution. Grinspun also gained notoriety recently when he demanded that the outgoing military government continue to negotiate refinancing deals for state-sector debt on usurious terms that violated national sovereignty.

There are also insistent reports in Buenos Aires that Alfonsín will name as his chief debt negotiator Raúl Prébisch, the elderly British agent who helped dismantle the Argentine economy and forced the country to join the IMF after the 1955 military coup against Gen. Juan Perón's first government. Prébisch is particularly hated in Peronist circles, and his appointment would be received as a loud slap in the face to their concerns. Prébisch is also an advocate of the Rohatyn Plan, and is vocally hostile to the idea of a debtors' cartel.

Which approach Alfonsín will choose remains very much an open question.

**2) Reorganizing the military.** There is a consensus across Argentine society that the top command of the armed forces must be held accountable for the economic and political crisis in which they left the country, and for the military debacle of the Malvinas War. There will be a purge at the top which could cut quite deep. Alfonsín plans to take this anti-military sentiment further, and to sharply reduce the military budget itself from about 10 percent of GNP down to 2 percent. He hopes in this way to free up funds he can then use for debt repayment.

The danger here is that the Radicals will cut into military-related R&D and other programs which are required both for national defense and technological advance—especially in light of Britain's ongoing militarization of the Malvinas. Not surprisingly, the British are strongly encouraging Alfonsín to adopt a "pacifist" track, and have expressed outrage at the possible U.S. lifting of the Humphrey-Kennedy Amendment, which prohibits U.S. arms sales to Argentina on the grounds of "human rights violations."

Argentina's flagship nuclear program is a particularly crucial case in point. Until now, it has been run with great success by the Navy. If it is at all victimized by the budgetary axe, there will be strong discontent in the military and important strata of civilian society. In fact, *new* expenditures will be actively sought by certain elements in the armed forces for such programs as research in fusion and laser technologies—as explained in detail in the exclusive *EIR* interview published below with Brigadier General Fautario, the former commander in chief of the Argentine Air Force.

**3) Purging the trade unions.** Argentina's trade unions are controlled 99 percent by the Peronist Party, whose labor leaders have earned a reputation both inside and outside their party for employing heavy-handed "mafia" tactics. Alfonsín has already announced that he intends to "democratize" the unions, and reliable sources have told *EIR* that the government will invite to Argentina delegations from West Germany's Friedrich Ebert Stiftung and from the American AFL-CIO to help "re-educate" the Peronists.

Here, Alfonsín is playing with fire. There is little doubt that the Peronists themselves intend to clean up their image by removing some of the union leaders. But if the Radicals try to take advantage of this situation to weaken the trade-union movement as a whole, they will be dismantling the principal obstacle in the country to the implementation of harsh IMF conditionalities. Furthermore, a purge will provoke an explosion from the Peronist Party as a whole.

### Which way for Peronism?

Peronism, Argentina's most important postwar political movement is now confronting its most profound crisis. The old methods which held together this nationalist but highly diverse party no longer work: General Perón is dead, and there is no one capable of filling his shoes; and victory has for the first time eluded the Peronists, who had been "winners" both inside and outside power for the past 40 years. Now they must establish a clear *programmatic* focus to unify their ranks, or begin to suffer the effects of centrifugal political forces.

That task now will now fall in large measure on the next generation of party leaders, the 40- and 50-year-olds who are angered by the failures of the current party leadership, and who plan to use their upcoming stint as the country's leading opposition force to restore the Peronist Party to its former pre-eminence, and hold Alfonsín to a policy course which will satisfy the universal national aspirations for democracy and development.

## *EIR* presents economic program in Buenos Aires

by Cynthia Rush

On the eve of Argentina's national elections, *EIR* Ibero-America editor Dennis Small announced the publication in Buenos Aires of the book *An Industrialized Argentina: Axis of Ibero-American Development*. Written by a team from the *Executive Intelligence Review* and the Fusion Energy Foundation, with a prologue by *EIR* founder Lyndon LaRouche, the book is based on an application of the LaRouche-Riemann econometric model to the Argentine economy. It outlines the program that could turn this South American country into an economic superpower and leader of a scientific renaissance on the continent.

Speaking to an overflow crowd of 100 people at the Wilton Palace Hotel in Buenos Aires Oct. 27, Small outlined the book's 20-year development perspective for Argentina based on rapid development of its nuclear and scientific capabilities, with large investment in infrastructure, transportation, and agriculture.

He also explained the philosophical outlook which guides *EIR*'s work. "One hundred and fifty years ago," Small said, "it would not have been at all unusual for an American to be standing here saying what I'm saying." At that time, John Quincy Adams, first as secretary of State and then as President, formulated a foreign policy of respect for, and encouragement of, the development of sovereign republics. Yet today, because the policies of the State Department and the likes of Henry Kissinger have wrought only destruction, the existence of someone like Lyndon LaRouche and the *EIR* may be difficult to grasp, Small said. What LaRouche proposes, however, is a return to the kind of collaboration for development proposed by John Quincy Adams.

Argentina's new government will be faced with the task of reversing the worst economic and debt crisis in the country's history and rebuilding the industrial infrastructure gutted by seven years of monetarist policy. Small told the audience that the new government has two options before it. It can adopt the accelerated development approach outlined by *EIR* and LaRouche, or it can succumb to Iranian-style chaos demanded by Henry Kissinger. Kissinger, Small reported, is now warning that Argentina will become "another Iran" and that "terrible things will occur there" very shortly.

The LaRouche approach, beginning with publication of the August 1982 document *Operation Juárez*, has found excellent reception among diverse layers of Argentina's political establishment. Those attending the Oct. 27 event, with large representation from the Peronist party, included several