

Cartels smash the Argentine economy

by George Elder

The economic situation in Argentina has condemned that country to death or potential violent upheaval in the not too distant future.

At the present time, inflation has forced up interest rates to the point at which 50% *monthly* rates are very common. The rates are still rising. In fact, interest rates are now quoted hourly.

This is the result of the International Monetary Fund, World Bank, and Trilateral Commission policy that forces Argentina to export virtually everything that isn't nailed down to earn foreign exchange for debt payment. IMF conditionalities restrict imports. The devaluations of the peso which are continuing to make U.S. and other foreign goods more expensive also contribute to reduction of Argentine imports. This, of course, means commodity shortages in Argentina, and also, reduction in U.S. exports, reducing employment in the United States.

The Soviet Union and East bloc countries smell blood, and are moving in to fill the gap. The Soviets are granting some loans to Argentina at low interest rates with 30-year pay-back terms, but are more frequently offering barter contracts for factories, equipment, etc. For instance, the Soviets are presently setting up a tractor factory in Argentina.

In one province, 12 of 16 sugar factories went out of business. The 4 left are on shaky financial footing. The 12 that went under were unable to pay farmers for their sugar cane. That put the farmers out of business. They are now living in urban slums. And it is the Soviet Union which is now buying the sugar factories.

If the present situation continues, Argentina, which has been a major world food exporter, will soon be unable to supply its own needs. The high inflation rates have caused the population to reduce beef consumption by almost 50%.

The foreign grain cartels control all phases of Argentine agriculture. They own or control by contract the grain elevators and transportation equipment, port facilities, etc. The market is so controlled that the farmers receive just \$40 per ton of milo from Cargill. Cargill then sells the same ton to the Soviet Union for \$190.

The poultry industry is vertically integrated by the cartels. The two poultry companies that share the market are Cargill and King Ranch. Cargill feeds chickens on chemicals that cause them to retain water. The consumer therefore pays good money for water. Before vertical integration, the price of chicken meat was much lower relative to beef. Following vertical integration and cartel control, the price of chicken has climbed until it is just a few percentage points below beef.

The land is being consolidated into larger parcels through purchases by oligarchical families. For instance, Henry Kissinger's man in Argentina, José Martínez de Hoz, the former finance minister whose term in office (1976-81) saw the nation's foreign debt skyrocket, is profiting from this collapse.

Farmers in Argentina are in deplorable financial condition. The only sources of capital have astronomical interest rates attached. The National bank only lends money for planting, at an interest rate of 25% per month. The commercial banks loan money at rates of 50% per month or more. Loans are not available for purchase of equipment, land, etc. Last year, only 230 new tractors were produced in Argentina, and none were imported. Only a few were sold. As equipment breaks down, the high cost of replacement parts forces the shutdown of farm operations. Since, for instance, very few tractors have been imported over the last 10 years, the equipment now in operation is very prone to failure.

Combines for sugar cane are in short supply, and no one has the money to buy more.

Sixty percent of all fertilizer is imported from the East bloc, while natural gas is burned off. Argentina is unable to import equipment to make their own nitrogen fertilizer.

Under current IMF-imposed economic policies, it is impossible to run a profitable farming operation. Due to the economic situation, farmers often find they have no recourse but to turn to the only high-profit cash crop available, drugs, or other questionable enterprise, even including forms of indentured servitude.

The wheat crop has been tampered with by Cargill. Last year, Cargill introduced a wheat variety grown in an area called La Pacho which the company promoted heavily as a high-yield grain. Since Cargill is the largest seed producer, the promotion worked. A majority of farmers planted exclusively this variety—only to find out later that the protein content is 7% or less, about one-half that of other varieties. It is suspected that Cargill then played the shell game of moving low-protein wheat to the United States while selling the Soviets high-protein U.S. wheat.

The IMF forces agricultural exports, the cartels buy up the agricultural products cheap with an overvalued dollar, shipping the cheap food into the United States, contributing to the bankruptcies faced by U.S. farmers—while supermarket shelves temporarily stay full. If the IMF is not stopped and the cartels broken up, disaster is the predetermined outcome, not just for Argentina, but the United States as well.