

Argentina grovels before IMF, but still gets no debt relief

by Cynthia R. Rush

Although Argentina has failed miserably to comply with the International Monetary Fund's guidelines over the past three years, it's not because the government of Raúl Alfonsín hasn't tried. Since the inception of the 1985 *Austral Plan*, Finance Minister Juan V. Sourrouille has continuously found ways to impose ever harsher austerity, in an effort to meet creditors' demands for a lower fiscal deficit, reduced public-sector spending, increased exports, and increased revenues.

Of course, none of Sourrouille's schemes have alleviated Argentina's internal, or its foreign debt crisis. In fact, as the finance minister admitted at the IMF's annual meeting in mid-April, his country is worse off now than in 1982, when the debt crisis exploded.

The statistics Sourrouille brought with him to Washington show that investment per capita in Argentina today is half of what it was in 1980. GNP per capita for the first quarter of 1988 was 2.3% below the same period of 1987. Inflation, which could reach 20% for May, is not expected to fall below 10% monthly for the rest of 1988. Manufacturing production for the first quarter of this year dropped 6.5% below average 1987 levels.

"Our discouragement at the results obtained in the six years since the explosion of the crisis, is unavoidable," Sourrouille told the bankers gathered in Washington. Debtor nations have obediently applied the structural changes demanded by creditors, he said, and will continue to do so. But, he added, the cost to themselves has been "tremendous."

In Argentina's case, the minister argued, creditors must be willing to offer "oxygen," in the form of a reduction in the amount of capital owed, reduction in interest rates, and a change in the "character of negotiations" between debtors and creditors. Alfonsín's government is willing to slash its budget, reduce public investment, paralyze the nuclear energy program, and stop infrastructure projects, Sourrouille promised, if creditors will take steps to reduce transfer of resources abroad and "include mechanisms to reduce the total amount of debt." But all in vain.

Just as the IMF meeting was about to begin, the "Group of 7" industrialized nations issued a press release opposing any reduction in the debt of the poorer nations, since this would imply a greater "burden" for the taxpayers of those countries as well as multilateral financial institutions. The statement insisted on a "case-by-case" approach to debt ne-

gotiations, defended by George Bush's man, U.S. Treasury Secretary James Baker.

To get the message across, Baker spoke at the IMF meeting just before Sourrouille. He warned both the IMF and World Bank not to generate any "unrealistic expectations" among debtors that a debt reduction might be considered. IMF director Michel Camdessus had raised just such hopes in Argentina, after a February meeting with Sourrouille and Alfonsín in Madrid.

Representatives of Argentina's biggest creditor banks were less tactful. They reportedly told Sourrouille to forget about debt relief and "go home and do your homework": Do whatever has to be done to balance the books, cut the deficit, and come back when it's done.

'Give us a break'

The bankers' shabby treatment of Sourrouille in Washington provoked anger in Buenos Aires. Even arch-monetarists such as Economic Coordination Secretary Adolfo Canitrot, remarked that the government economics team "is not likely to continue negotiating with the IMF under these conditions."

Creditors' hard line on the debt, combined with the nearly uncontrollable domestic economic and social crises, were reportedly major factors in Alfonsín's decision to maintain a low profile in the Panama crisis. U.S. Ambassador to the United Nations Vernon Walters, and Undersecretary of State Elliott Abrams marched into Buenos Aires on April 20 with all of the U.S. ambassadors on the continent to demand back-up in U.S. efforts to dump Gen. Manuel Noriega of the Panamanian Defense Forces.

Raul Alfonsín has no qualms about destroying nationalist military institutions such as the PDF; but in meetings with Walters and Abrams, he insisted that his country would abide by the principle of "non-intervention" in the affairs of other nations.

Alfonsín also bluntly told Walters that under current negotiating arrangements on the foreign debt, Argentina has reached "the breaking point." Abrams was effusive in his praise of Alfonsín's "seriousness" in approaching the economic crisis; but when a highly placed government official asked him, "Then why don't you help us out a little bit?" on the debt issue, Abrams was mute.

Press sources say that Alfonsín intended his remarks to be taken as a warning. Given the banking community's inflexible stand, individuals among Alfonsín's inner circle have reportedly decided that "it's time to do something with the foreign debt." According to the April 22 issue of the weekly *El Economista*, these factions "feel politically asphyxiated" by creditors, and fear that another ratchet of IMF-dictated austerity will be the final detonator in the volatile internal situation. They rule out the declaration of a unilateral or full debt moratorium, but are said to be considering a partial moratorium on the debt owed by state-sector companies whose interest payments represent 65% of total debt service.

Whether the Argentine President has any intention of moving beyond mere warnings, as far as the foreign debt is concerned, remains to be seen. Political commentator Ricardo Kirschbaum noted in the April 21 *Clarín* that Alfonsín is aware that further adherence to the IMF's adjustment policy is tantamount to an "electoral guillotine" for the ruling Radical Civic Union (UCR) party. Alfonsín's chosen successor, Córdoba Governor Eduardo Angeloz, is beginning to panic over the rising inflation and economic chaos which he knows will limit his chances of election in the 1989 presidential race.

Representatives of virtually every sector of the economy and the population, including the Catholic Church, have repeatedly warned the government that continuation of current economic policy will bring dire consequences. One observer has told *EIR* that Argentina's relationship to the IMF, and its inability to pay its debt, is practically the only topic that one hears discussed on the streets.

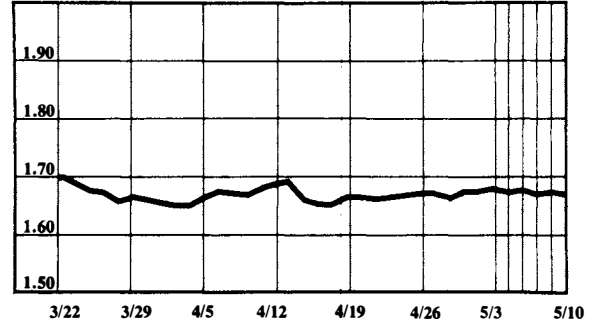
Alberto Costantini, former director of the National Atomic Energy Commission (CNEA), and now the president of the Argentine Engineering Center, issued a scathing attack on Alfonsín's economic policy in an interview with the daily *Clarín* published on April 24. The problem, he said, is that the government's strategy is "ultra-monetarist . . . it has no interest in development, nor does it contemplate the improvement of the country's productive apparatus." Costantini charged that by agreeing to cut the budget on the nuclear program and eliminate projects already under way at the behest of the IMF, the government is negotiating away "the country's technological independence, and our right to decide to have advanced technology such as nuclear."

Yet, Alfonsín seems determined to follow the domestic policy outlined by Sourrouille. He has announced dramatic budget cuts which will eliminate the hydroelectric project at Pichi-Picún-Leufú; unless foreign financing is guaranteed for the Atucha II nuclear plant and the heavy water plant, both of these projects will be scrapped. Cuts in public investment will amount to \$1.5 billion, which the government says will reduce the public deficit by two percentage points, and place it within the range demanded by the IMF. Then, according to press reports, Sourrouille will return to Washington to beg for better treatment.

Currency Rates

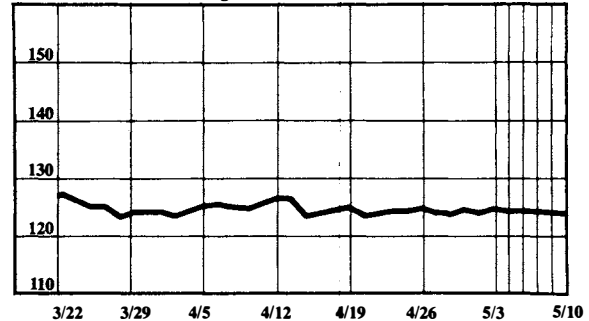
The dollar in deutschemarks

New York late afternoon fixing



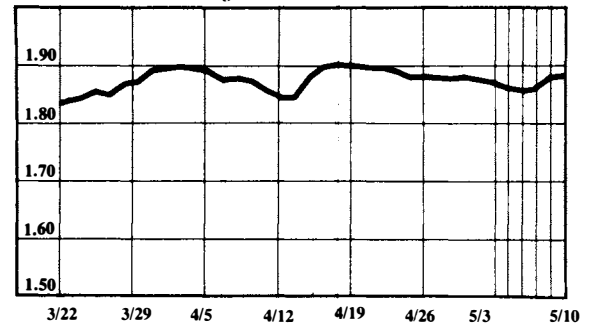
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The British pound in dollars

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