

Railroad 'reform' will dismember Argentina

by Cynthia R. Rush

During the 19th century, Great Britain and its allies used geopolitics and warfare in Ibero-America to prevent the emergence of sovereign nation states. Today, in Argentina, President Carlos Menem and his Harvard-trained finance minister, Domingo Cavallo, are using the policies of the International Monetary Fund (IMF) to physically tear apart the already weakened Argentine nation. As Elido Veschi points out in the accompanying interview, the monetarist school of economics dominated by "bookkeepers and accountants," of which Cavallo is exemplary, is responsible for this situation.

Cavallo's plan to privatize and deregulate the country's state-owned railroads, along with such crucial services as health care and education, will result in the dismemberment of the country. In the case of the railroads, he has told provincial governors that unless they are willing to absorb at least 50% of the railroads' existing deficit, all long-distance passenger service to those parts of the country will simply cease.

Although domestic resistance to this plan has forced the government to back off from its original deadline of July 31, by which the governors had to decide whether or not to absorb these costs, there's no doubt that Cavallo is determined to ram this plan through as quickly as possible.

A colonial tradition

In the mid-19th century, there were attempts to build nationally owned railroads in Argentina, in order to encourage the development of the country's interior; but as in much of the rest of the continent, those first lines were eventually bought out or eliminated by foreign, mostly British, capital, whose only interest was transporting raw materials from the interior to the ports for export, and transporting imported foreign manufactured goods to the interior. This is the classical colonial policy to which the IMF is committed today.

Through imposition of excessive freight costs and other unfair practices, the British-owned lines destroyed small businesses, industrialists, or incipient commerce in the Argentine interior, whose growth was viewed as undesirable competition.

In his *Historia de los Ferrocarriles Argentinos*, Argen-

tine historian Raúl Scalabrini Ortíz quoted Congressman Alejandro Gancedo, who in 1922 charged that the foreign-owned railroads were "depopulators." Earlier, in 1909, Gancedo explained that "in what has been called the granary of the republic, in the heart of the wheat-growing region, industrial enterprises which were yesterday the most prosperous, important and strong, are closing their doors . . . the factories, shops and warehouses of one of the country's founding industries are closing. Who's to blame? There is no work, nor can there be, without facing bankruptcy or disaster because of the excessive freight costs of the railroad companies."

Years later, in 1922, Gancedo reported that "in Santiago del Estero, the railroads eliminated flourishing commercial centers such as Villa Loreto, Altamisqui, Maillin, Salavina, etc., important cultural centers where today the ruins of the old houses stand next to the plazas where the animals graze. The point is that the railroads aren't interested in developing life and culture, only in obtaining benefits and dividends by any means possible."

It was not until the early 20th century, that the government challenged the role of foreign capital, and founded the state-run company Ferrocarriles del Estado. New railroad lines were developed with the idea of integrating remote parts of the country and developing regional economies. The nationalization of the railroads by Gen. Juan Perón constituted a severe blow to the foreign interests which presumed that Argentina was a perpetual source of loot.

Territorial disintegration

The simple reality is that Argentina's provinces are close to bankruptcy as a result of years of economic austerity dictated by the country's foreign creditors. Regional economies, based on small and medium-sized agricultural enterprises, and small industry, are moribund. Many provinces depend on the federal government to cover up to 90% of their operating expenditures; now, not only is Cavallo cutting back on those revenue-sharing funds, he is demanding that provinces take on the additional burden of financing health and education in a situation which is far more economically depressed than a decade ago.

Many provinces now function almost as tiny, independent nations, issuing their own currencies, and dealing directly with foreign governments to make trade and other economic deals, in an attempt to survive economically. As Veschi points out, cutting off "unprofitable" rail service will condemn many of these regions to death. At stake is the country's territorial integrity.

This policy has strategic and military implications as well. A study issued by the Institute for Technological Cooperation and Foreign Affairs in Buenos Aires points out that with the closing of several railroad lines, in times of crisis the country will be unable to transport military personnel to strategically important regions of the country. "Among the

lines to be privatized," the study explains, "is the wide-gauge railroad which joins Bahía Blanca [on the Atlantic coast] with the Chilean border, one of enormous strategic importance."

In a statement issued in early August, Col. Mohamed Alí Seineldín, leader of the nationalist faction of the Argentine Army who is currently in jail as a political prisoner, said, "I am witnessing how the railroad, which was the pride of the country and a symbol of development and prosperity, is being abruptly shut down, condemning to death the republic's localities and towns, whose bad luck is apparently not being located geographically in or near the capital." The railroad's dismantling, as Seineldín points out, is also related to the Menem government's global policy of destroying the Armed Forces and ceding territory to Chile in a soon-to-be-signed agreement.

On Aug. 27, Menem is scheduled to sign a treaty with Chilean President Patricio Aylwin, by which Argentina will cede 1,050 square kilometers in the Patagonian province of Santa Cruz to Chile. Under the guise of resolving a border dispute which Argentine experts say was actually resolved by papal edict in 1902, the treaty is framed in the context of strengthening the IMF's "democracy" in both countries, and allegedly putting an end to the "arms race."

Referring to the disputed region of Santa Cruz, known as the Hielos Continentales, Seineldín warned:

"Perhaps the Hielos Continentales . . . has lost the President's interest, because he has so distorted the specific function of the Armed Forces, the Security and Police Forces, that today, it is impossible to provide for the common defense and protect our territory, thus preventing the country from exercising its legitimate right to protect and defend its patrimony."

The death sentence to which Seineldín referred will be particularly brutal for regions such as the Patagonia, which, because of the government's economic austerity policy, and also because of the lack of a railroad and other necessary infrastructure, could literally cease to exist. In April of this year, a correspondent from the Buenos Aires daily *El Cronista* warned that "the Patagonia is dying."

He reported that Comodoro Rivadavia, one of the most important cities in the province of Chubut, "has had 2,800 layoffs only in the oil-producing areas run by [the state oil company] YPF during the past year alone; Río Gallegos, the capital of Santa Cruz, has seen 10,000 people emigrate over the past decade, and the dismantling of the [state coal concern] YCF in Río Turbio also threatens to transform it into a ghost town."

Chubut Gov. Carlos Maestro explained that the entire region is undergoing "a phenomenon of desertification, by which vast zones of the southern provinces are becoming depopulated." If the federal government doesn't take emergency measures, he added, "the Patagonia runs the risk of becoming an immense desert."

Interview: Elido Veschi

'They want to colonize us again'

Mr. Veschi is an engineer who is secretary general of the Argentine Personnel Association of the Railroad and Port Directorate (APDFA), which includes career technicians of the Argentine State Railroad. EIR's Gerardo Terán Canal interviewed him on July 30.

EIR: Where is the railroad privatization plan of President Carlos Menem headed?

Veschi: This plan is one more element in the geopolitical and geoeconomic model designed for Latin America. The importance of transportation for the economy has been clearly understood, first by the British Empire, and later by the world financial empire. They know that if they dismantle transportation, they will be able to design a model that is very beneficial for their international interests.

These interests have known how to take advantage of the level of inefficiency to which the state sector companies have been reduced, as a result of the policies intended precisely to create that inefficiency, so that their model might succeed. Many people say that the economic program of [former finance minister José] Martínez de Hoz [1976-81] failed. No, that plan was a complete success for those sectors which now predominate and are destroying Latin America.

EIR: What will the railroad privatization mean for Argentine industry and agriculture?

Veschi: There have been many serious attempts to dismantle national industry and, unfortunately for Argentines and for Latin America, they are succeeding, as a result of the monetarist policies through which the country has become indebted—in both the public and private sectors—with no benefits for the population, and for the sole purpose of working to pay off that illegitimate debt. For regional economies, based on agriculture and cattle raising or primary industry, the dismantling of the railroad is a *coup de grace*, which will create the possibility of redesigning the country's economy. The creation of the Mercosur [Southern Cone Common Market] will generate a geoeconomic region with almost no resemblance to the nations we know today.

EIR: Can a national railroad run by the state be profitable?

Veschi: If we measure profitability the way the bookkeepers and accountants trained in monetarism at the Chicago School do—that is, looking at the operation's direct profitability—