

IMF goes for ‘second generation’ looting of devastated Argentina

by Gerardo Terán Canal and Gonzalo Huertas

During the Argentine Banking Association conference held in Buenos Aires on May 21, International Monetary Fund Managing Director Michel Camdessus stated, “This is the moment for Latin America not only to finalize the reforms in progress, but to launch a second generation of reforms that could produce growth more deeply rooted in healthy structures and, thus, more lasting and equitable.” In the case of Argentina, this would signify the burial of what was once the ninth agricultural and industrial power in the world.

According to figures published by the Foundation for Research and Development (FIDE), based on data provided by the Finance Ministry, the official public foreign debt as of December 1996 had reached \$73.6 billion, while the official private foreign debt was \$26.1 billion, yielding a total of \$99.7 billion.

But there are other factors, which make the *real* Argentine foreign debt larger still. Since 1991, the Argentine economy has been “internationalized” with the adoption of the convertibility plan, also known as the Cavallo Plan, named after its major architect, former Finance Minister Domingo Cavallo. The plan established a fixed one-to-one parity between the peso and the dollar, guaranteed by a prohibition on printing pesos that were not directly backed by international dollar reserves. This is a version of the British colonial policy of a currency board.

First, dollar bonds were issued for sale inside the country, meaning they were not included in the official foreign debt figures: These, as of December 1996, amounted to some \$14.5 billion in de facto foreign obligations.

Second, there has been an explosion of private internal debt, also denominated in dollars: Today, approximately two-thirds of the total internal debt is in dollars (credit cards, mortgage loans, “business” loans, etc.). According to *EIR*’s calculations, this category of de facto foreign debt is actually \$42.2 billion.

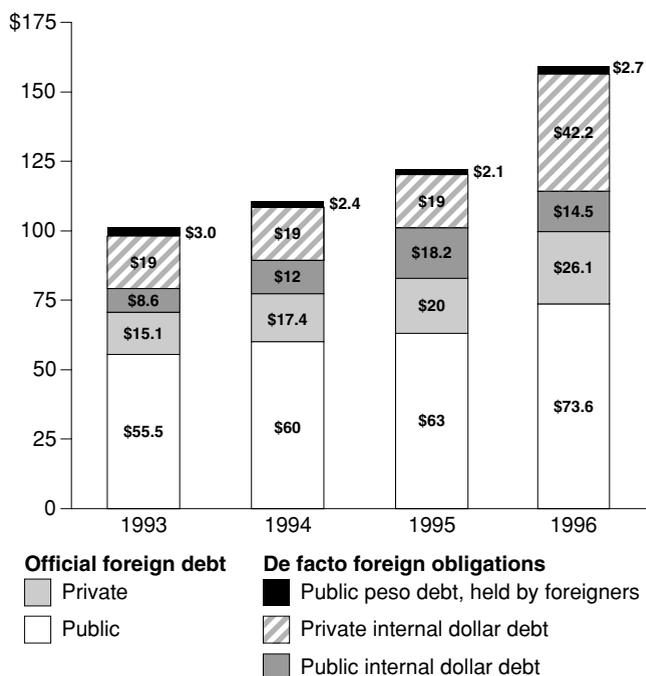
And finally, approximately one-third of the public bonds issued in pesos, equivalent to some 8.2 billion pesos, is in foreign hands, meaning that another \$2.7 billion in foreign obligations must be taken into account. If we add up all these categories of official foreign debt, we can see that Argentina’s

real foreign debt at the close of 1996 was actually \$159.1 billion (**Figure 1**).

When President Carlos Menem took office in July 1989, the foreign debt was \$60 billion. That is, in seven years under Menem, the real foreign debt of Argentina has risen 165% — an average annual rate of 15%. Assuming that the total Argentine population is 34 million people, the foreign debt, in real terms, as of December 1996, was \$4,680 per capita, one of the highest amounts in the world.

Over the past year, difficulties in servicing the foreign debt have forced the government, on the one hand, to issue

FIGURE 1
Argentina: real foreign debt
(billions \$)



short-term, 90- to 120-day bonds of approximately \$2 billion, which are regularly renewed; on the other hand, it has had to move the deadline for payment of 1996 personal taxes from June up to April.

Finance Undersecretary Miguel Kiguel told the daily *Ambito Financiero* that the Argentine government needed to take on another \$12 billion in debt, to meet the needs of its 1997 budget. This year, it has already issued \$6 billion more in bonds and treasury notes, \$5.1 billion at the international level and \$1 billion on the local market. Thus, in the coming months, the government will be taking on another \$5.9 billion in debt.

Prominent Argentine economist Daniel Muchnik was on the mark, when he stated that “Argentina continues to act like a gambling addict: It can only survive by continuing to take on more debt.”

The Africanization of Argentina

As expected, this disproportionate increase in the debt, and the brutally rigorous servicing of that debt, have wasted once-industrialized Argentina, the same way that IMF “structural adjustments” laid waste to Africa. Poverty and unemployment (now at an official 18%) have taken hold in this country.

In 1996 alone, wages in goods-producing sectors fell 2.9%, according to Finance Ministry estimates. The provinces most punished by this fall in wages are Chaco, Formosa, San Juan, Jujuy, and Entre Ríos, where monthly salaries are less than \$640. In these same regions, the basic monthly market basket costs \$900. In 1996, the average wage in the province of Chaco fell 11.2%.

This picture of misery is confirmed by figures published in early May by the National Statistics and Census Institute (Indec). Indec states that out of the 11.5 million living in greater Buenos Aires, 3.2 million have fallen below the poverty line and one-fourth of these are unable to meet their basic needs. The population of greater Buenos Aires represents 28% of the national population.

Carola Pessino, an adviser to the Economics Ministry, cold-heartedly told *La Nación* that “the Indec poll shows that there are more poor, but they are short-term poor. . . . So, I believe it is more worthwhile to look at the indigence index, which represents people unable to meet their basic needs. That rate in October 1989 was 19.5%, and today it is 12.5% and stable.”

According to *Ambito Financiero*, the IMF’s Camdessus said from Washington that “Argentina’s objectives for 1996 have been met. Inflation is near zero, growth was 4.5% in 1996, and they will continue with the same orientation for 1997.”

In the early 1960s, the Argentine economy was the ninth largest in the world. In production and per-capita income, it had a level of development equal to Japan’s. From the

Argentina



point of view of the skill levels of the workforce, especially in such categories as scientists, technicians, administrators, and educators, the two countries were nearly parallel. Argentina also had the highest literacy rate in Ibero-America, and possessed excellent national education and health care systems.

Its other achievements included the building of a jet fighter plane, with the most advanced technology in the world at that time, and a nuclear energy program supported by the most modern research installations, as well as the acquisition of the necessary capital-goods industries to supply these programs. As a result of the initiatives taken by both military and civilian nationalists in the period between the two world wars, impressive basic industries had been developed in the petroleum extraction, petrochemical, coal, steel, and other sectors.

On the basis of these achievements, Argentina was advancing toward its goal of becoming a world-class industrial power. Today, because of the policies adopted over the past

25 years, not only has that industrial potential collapsed, but under the rubric of “globalization,” the country is undergoing a process of economic and physical disintegration, which threatens its very survival as a sovereign nation-state.

Social protests expand

In the last two months, the populations of various Argentine provinces, whose economies are moribund because of the government’s privatization program — stable state companies have been sold to private interests, which then either shrink them or shut them down altogether — have mobilized against unemployment and poverty, revealing an unprecedented level of desperation.

The spark that started the now-nationwide protest was the demonstration by teachers and parents in Neuquén province last March 27, against cutbacks in the education budget. As part of their protest, they blocked the national highway, and the intervention of the National Guard to unblock the road left one young woman dead. “The repression revived spirits and gave cohesion to even those most opposed to the [protest] measure,” a group of teachers told *La Nación*, describing how the population of Neuquén joined in solidarity with the provincial teachers.

In an interview with *EIR*, the acting secretary of the Argentine Education Workers Confederation (CTERA), Hugo Yasky, insisted that since Cavallo’s convertibility plan was first implemented in 1991, the national education budget has been slashed 40%, by transferring Federally funded schools over to the provincial governments, but without the necessary funding, thus causing very serious local crises.

On April 2, a group of 38 teachers from different parts of the country, headed by CTERA’s Hugo Yasky, called a hunger strike to demand a solution to the problem of unpaid or inadequate wages, and to demand a halt to the education budget cutbacks.

On April 8, the people of Cutral-Co and Plaza Huincul in Neuquén, 1,250 kilometers south of Buenos Aires, blockaded National Highway 22 to protest widespread unemployment caused when the 1993 privatization of the state oil company, Yacimientos Petrolíferos Fiscales (YPF), led to the shutdown of a local refinery. This is the region where the first YPF oil well was drilled back in 1918.

One of the youths who participated in the protest told a special correspondent of the daily *Clarín* April 17 that his father had died one year ago, “bitter, and without a peso. When I was little, I wanted to work in a YPF refinery, or drive one of their trucks. But I ended up sweeping sidewalks, until I lost that job.”

Wrote Fernando Laborda of *La Nación*, “This region . . . was for years considered ‘the Argentine California,’ for its eternal vigor. Today, it shows the other face of the successful transformation of the state oil company.”

On April 12, a nationwide work stoppage was called by

CTERA, in support of the mobilization begun one month earlier by the teachers of Neuquén against salary cutbacks. The work stoppage took place under the slogan, “In defense of public schools.”

On April 16, the General Workers Confederation (CGT) called a staggered one-hour strike to protest the way the national government was repressing the people of Cutral-Co and Plaza Huincul. The Argentine Workers’ Movement (MTA) also called for a general strike. “Since dialogue with the business sector has broken down, the government seeks to impose its conditions by repression, and by continuing to make the lives of Argentine workers more precarious,” said MTA leader Hugo Moyano.

On April 18, the people of Cutral-Co and Plaza Huincul decided to lift their blockade of Highway 22, after the national and provincial governments offered, among other things, to create 500 temporary YPF jobs, in the form of slave labor—sweeping streets and sidewalks, and weeding gardens. The pay offered was a minimum \$200 a month. To maintain minimum subsistence in Argentina costs \$500. Also offered were 1,000 subsidies of \$100 each for the unemployed, that is, for those who could not even be given slave labor jobs.

On May 8, in the northwestern province of Salta, the people of Tartagal and General Mosconi blockaded National Route 34, which links Argentina with Bolivia. They demanded more jobs. *Clarín* correspondent Ana Ale wrote that this zone, “one of the richest oil and gas regions in the country,” is today inhabited by “very poor people” as the result of Menem’s economic model.

Located in Tartagal is the Aguarague gas reserve, which largely supplies the Brazilian market; the companies Plus-petrol, Tecpetrol, YPF, Bidas, and CGC all exploit oil and gas in the area. “They all increased their production, and sent a majority of the resources to foreign markets,” Ale reported. In 1996 alone, \$237 million in royalties were paid to the provincial government.

When YPF was privatized, in 1993, some 3,500 people from Tartagal were left without jobs. Today, only one in four residents has work in that area. According to *Clarín*, “33% of the families cannot meet their basic food needs. Teachers have not been paid their \$200 wages in four months. Also affected by the same crisis, merchants and farmers joined the highway blockade.”

“People here are faced with hunger, while surrounded by black gold,” said Orán Bishop Mario Cargniello, in comments published in *Clarín* on May 13. He had just gotten residents to agree to sit down with Salta’s authorities to discuss a way out of their economic problems.

The blockade of Route 34 was lifted after the provincial government pledged to create 1,000 slave-labor jobs, at an average wage of \$200 a month.

As we go to press, the conflicts were multiplying.



President Carlos Menem told Argentina's increasingly impoverished, unemployed, and desperate citizens, "Things are good, they are better than ever." Menem (right) shown here discussing privatization with a constituent.

IMF: the narco-terrorists' best friend

On May 22, the national government agreed to allocate between \$600 and \$770 million from multinational lending agency loans, to finance a "social" program that is supposed to create 100,000 new jobs at an average monthly wage of \$200. The program also pledges to provide 120,000 scholarships of \$60 a month for impoverished secondary school students. *Clarín* reported that the government has been seeking an \$800 million credit from the World Bank, to carry out various infrastructure works as well.

"How can it be that we were caught napping, when the social protests were already ongoing and the highways were being blockaded?" President Menem demanded of his ministers during a mid-May cabinet meeting. "We must create a social safety net to prevent these conflicts from occurring," he added.

According to *La Nación*, other points of social conflict are

breaking out in Jujuy, where there are demands for payment of back wages; Tucumán, where there are marches against provincial budget cutbacks; in Salta, over demands for new jobs; in Córdoba, against unemployment and low wages; in Santa Fé, over demands for reactivation of the Rosario industrial belt; in Mendoza, against energy privatization; in Neuquén, over unemployment; and in Chubut, over wage demands.

As *EIR* has repeatedly demonstrated, and as the narco-terrorist São Paulo Forum understands, the IMF is the best ally of terrorism. Thus, from the moment these protests began, several openly terrorist groups, such as Quebracho, Patria Libre, the Workers Party, and the Movement toward Socialism (MAS), have begun to infiltrate them. "Wherever there is turmoil, it is inflamed with weapons and disorder," charged Neuquén Gov. Felipe Sapag, addressing the Cutral-Co and Plaza Huincul protests. Instead of proposing a real anti-IMF industrialization program, members of Frepaso, the São Paulo Forum-affiliated electoral coalition, are also advising workers to accept the government's offer of slave-labor jobs.

President Carlos Menem insisted in an April 16 interview with cable television network TN, that he had "national and international intelligence reports" on the possible resurgence of terrorism in Argentina. "When a President expresses himself in such a way, he has cause," Menem added. The acts of vandalism by groups such as Quebracho, and the protests of the people of Cutral-Co and Plaza Huincul, "are presubversive gymnastics," he said.

On May 9, the leadership of the once-powerful CGT labor federation, headed by its Secretary General Rodolfo Daer, signed the "Act of Agreement between Government and the CGT," together with cabinet chief of staff Jorge Rodríguez. With the agreement, states *La Nación*, the government has taken one more step toward so-called "labor flexibility," the fascist World Bank program that aims to entirely eliminate all labor rights.

Although the agreement makes a few minor concessions to labor, such as stating that "mechanisms for temporary hiring are to be replaced by a more stable one," it is still a giant step toward what the World Bank wants. It accepts the reduction of severance pay by as much as 70%; new contracts will be voided upon expiration, and contracts current at the time of the agreement will only have a three-year extension; health care programs for corporate white-collar workers will not compete with those offered by trade unions, and workers can choose the programs they want. The latter is a move toward privatizing medical and health care programs now controlled by trade unions.

Pedro Millán, World Bank representative in Argentina, happily stated that the agreement will permit a reduction in labor costs, greater labor flexibility, and "formidable" advances in health care. The IMF also enthusiastically endorsed the agreement.

The truth is that “labor flexibility” already exists, and only lacks some official title. As Secretary General of the Commerce Workers Armando Cavallieri charged, “Companies, primarily the foreign ones . . . are driving people into situations of semi-slavery.”

On March 13, during a meeting at the Labor Ministry with representatives of the Argentine Chamber of Supermarkets, and with Ovidio Bole, president of the Federation of the Chamber of Supermarkets, Cavallieri charged that supermarket workers worked shifts as much as 19 and even up to 25 straight hours. Regarding those extra hours, he said that each “supermarket pays what it wants, and in the case of Carrefour [one of the major Argentine supermarkets] it pays nothing extra—those who complain are fired. There is no compensation for those who work Sundays. In one Unimarc store, their work schedules are one week of mornings, one of afternoons, and one of evenings. The hours are totally arbitrary.”

Police-state tax law changes

One more ingredient in this Nazi economic model is tax persecution, with classic police-state methods. Former IMF official Carlos Silvani, who heads up Argentina’s tax collection agency DGI, revealed that the newly “reformed” Criminal Tax Law, which began to be implemented at the beginning of this year, has already yielded “124 criminal charges and 150 fugitives” for tax crimes against the state. “Five-thousand [tax and trade] infractions have been detected; 900 shutdowns have already been enforced, while the rest are either being processed or the owners have received warnings.” Silvani complained of the slowness of the judiciary in processing the DGI charges. Thus, in the first three months of this year, the government collected \$11.5 billion, 8.9% more than in the same period of 1996. According to Silvani, “This is more or less in the range of what was expected, and means a consolidation of the goals pledged to the IMF.”

Determined that no republican institutions, including the judiciary, should get in the way of the DGI’s zeal to collect taxes, a bloc of ruling party congressmen presented a bill to the Chamber of Deputies on March 26, that would prevent judges from “obstructing” the DGI’s efforts to shut down businesses that were not keeping up their tax payments.

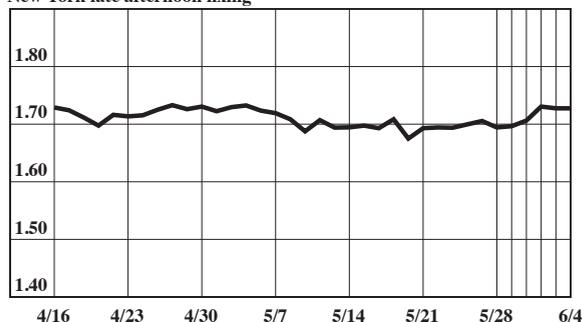
On top of all this, there are the privatizations of 28 Argentine airports, among these the International Airport at Ezeiza and the Buenos Aires Aeroparque; the Argentine postal service, Encotesa; the National Mortgage Bank (BHN); and Argentina’s three nuclear plants.

Immersed in the virtual reality of the markets, President Menem sent his people the following message from Germany, where he traveled on a state visit at the end of May: “I urge you to read the statements of the great world leaders regarding Argentina. . . . So, what more do you want? What more? Things are good, they are better than ever. Argentina has never been in a situation like the one it is in today.” As someone once said, the Emperor has no clothes.

Currency Rates

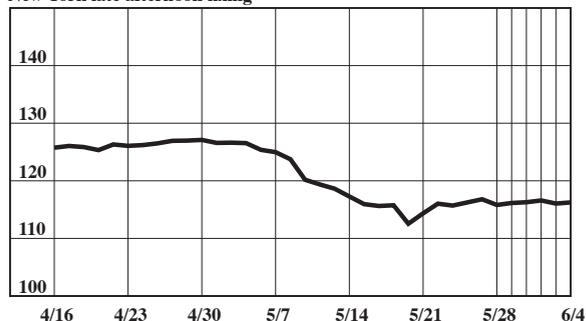
The dollar in deutschemarks

New York late afternoon fixing



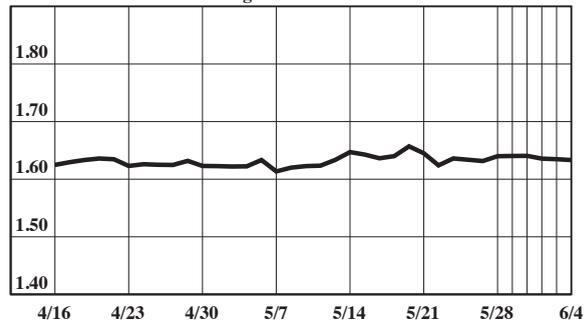
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

