

EIRSpecialReport

Argentina's future: a first-hand appraisal

by Dennis Small, Ibero-America Editor

The third week in July marked 30 days since Argentina lost the battle for the Malvinas Islands against Great Britain, and two weeks since President Gen. Leopoldo Galtieri paid the price of defeat by ceding the reigns of power to Gen. Reynaldo Bignone. These events ushered in the most profound crisis in Argentina's post-war history.

Inflation has skyrocketed by 40 percent in the past two weeks. Despite a 25 percent official devaluation, the black market U.S. dollar has soared from 24,000 pesos one month ago to an astounding 48,000 today. Capital is fleeing the country, and there are reports that up to half of the peso savings in the banking system have been withdrawn in favor of real estate and other speculative activity. A strike wave is widely expected, with port workers already hitting the streets last week to protest inadequate wage increases to compensate for the stunning inflation.

Worst of all, there seems to be no force on the political scene capable of rallying the nation to stop the downward spiral.

This forced descent into chaos is no "sociological phenomenon." It is the precise policy objective of the British. Having militarily defeated Argentina, the British have now shifted into the second stage of their war to destroy that nation. As *EIR* reported from the very beginning of the Malvinas crisis, and as this writer explained personally to many top Argentine leaders during a recent visit to that country, the British objective was *never* that of merely retaking some God-forsaken pieces of rock in the South Atlantic, as they so piously proclaimed. Rather it was to use the Malvinas battle as an excuse to strategically reorient NATO's deployments as a whole toward militarily defending the City of London's crumbling financial empire. With hundreds of billions of dollars of non-performing debt sitting on the shoulders of Third World nations, a precedent had to be set: the British, with the pliant United States in tow, was prepared to employ bald-faced gunboat diplomacy to enforce the repayment of their debt—regardless of the cost in lives to the



Courtesy of Biagueda.

A Buenos Aires crowd during the Malvinas crisis: Argentina's battle now is against the British monetarist economics that are destroying its labor force and industry.

unfortunate nations who are to be forced to pay.

With such strategic objectives guiding their actions, it was evident from the start that the British would not content themselves with merely retaking the Malvinas. Now they are out to shatter Argentina internally and make it ungovernable, to humiliate it strategically. They want to make of Argentina a "horrible example," so no Third World nation will ever dare challenge Britain's right to exact debt tribute. Should any try, they will be threatened: "Remember Argentina."

Britain's IMF strategy

It is this which is behind Britain's current campaign, executed with the aid of a local Argentine oligarchy which has always been pro-British, of financial warfare to blow out the peso. Despite the current government's attempts to halt the speculative tide, the *Journal of Commerce* reported laconically earlier this month, "the system will be subverted by Argentina's exporters and importers." Roberto Alemann, Argentina's outrageously pro-British Finance Minister until July 1, 1982, was even more explicit: "The country will first experience an initial hyperinflation; then the rate of inflation will diminish; and finally it will worsen and provoke a great economic explosion."

The club that the British wield is Argentina's foreign debt. Currently topping \$35 billion, over \$8 billion is owed in debt service payments alone this year. Argentina is expected to use up its available credit lines to try

to pay this debt by the fall of 1982, at which point the International Monetary Fund (IMF) will step in to offer a "standby credit" of about a billion dollars—with strings attached. The IMF, which, as reported in this week's Economics section, is heavily pressuring other governments on the continent (see page 13), will demand of Argentina sharp austerity and reduction of industrial output, which is in turn calculated to lead into another round of social explosions and the eventual disintegration of the country in the same fashion as Iran.

The IMF and their British allies hope in this way to finish off the job begun by former Finance Minister José Martínez de Hoz, whose monetarist policies succeeded in wiping out whole chunks of Argentina's relatively advanced industrial base between 1976 and 1981.

Argentina's other option

Britain, however, has a problem in putting Argentina through the wringer: the social chaos they themselves have unleashed could well boomerang against them. At the height of the Malvinas crisis in late June, this writer found in Argentina a nation in profound ferment, whose every institution had cracked under the weight of the crisis. Countless Argentines told me that they were admittedly at war with Britain, but that they were far more profoundly hurt and outraged at the "treacherous" behavior of the United States in backing

the British. Their contempt for the duplicitous former American Secretary of State, Alexander Haig, frequently approximated my own.

Under these conditions, there was scarcely an Argentine I talked with whose mind was not open to new, and even radical, solutions to their national problems. All were thinking about how to build the necessary new institutions to accomplish these goals; they were seriously evaluating Argentina's fundamental options.

This was the case, for example, with the "Multipartidaria" umbrella grouping of the country's five main political parties. In conversations with representatives of these parties, including the Peronists and the MID party, two central concerns were repeatedly raised: first, the need to end the country's six-year-old military government, and return to democracy; and second, the urgency of jettisoning Martínez de Hoz's disastrous economic policies and rebuilding Argentina's industry and labor force with a dirigist program. The same sentiments were expressed by literally every industrialist consulted; by important leaders in the Navy and Air Force; and only to a lesser degree by those I spoke to within the Army.

Nationalists' push for dirigism

It was this loose coalition of interests which in early July pushed the caretaker Bignone government to adopt a dirigist package of economic measures. Authored by Central Bank President Domingo Cavallo, the packet was designed to end Martínez de Hoz's speculative binges, and reassert the primacy of productive economic activity.

It is this laudable policy which is now under attack by the IMF and the British. The international financial offensive is succeeding so far due to two principal weaknesses of Argentina's pro-development forces:

1) Because the caretaker Bignone government itself is an uneasy coalition of pro- and anti-development forces, the nationalists have not put adequate domestic *political* muscle behind what are otherwise technically competent economic measures. To succeed, the local oligarchy would have to be crushed; their speculative assaults rewarded with stiff jail terms; and their defenders in the military (who reportedly had much to do with Argentina's poor battle performance in the Malvinas) tried for treason.

2) Argentina has also refused to attack the British internationally on their weakest strategic flank: the vulnerability of the bankrupt pound sterling. Argentina—in concert with its allies in Ibero-America and elsewhere—could bankrupt London overnight by wielding its foreign debt like a weapon, along the lines urged by *EIR* founder Lyndon H. LaRouche.

The British are less concerned about what Argentina's nationalists are *doing* today, than about their

potential. Despite the country's deep historical economic ties to Great Britain (Argentina has on occasion been referred to as "The Fifth Dominion"), the British know that it is also a nation with enormous potential for industrial development. As recently as the 1960s, Argentina was a nearly industrialized nation, with a per capita GNP, and per capita domestic steel production equal to Japan's. Even today, it has levels of literacy (93 percent) and of protein consumption (99 grams per day per capita) that are higher than those of most industrialized nations.

An 'American System' tradition

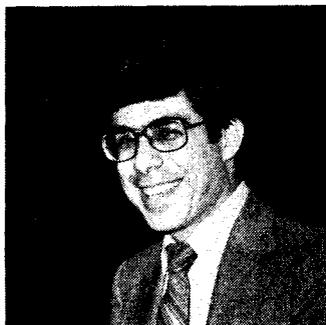
But perhaps most offensive of all to the British is the fact that there is a historical tradition in Argentina of a faction committed to modernizing their nation—a faction which has always despised the British colonial system of economics.

At the end of the 19th century, for example, President Pellegrini fought to apply in Argentina what he termed "American System economics," and cited the seminal works of such republican economists as Alexander Hamilton, Henry Carey, and Friedrich List. Today, this orientation is very much alive, through the influence of outstanding individuals such as Gen. Juan Guglielmelli whose views on the necessity for a strong national industrial base are quoted below, and like-minded thinkers in the country's military and political parties.

The nuclear issue

One of the strongest redoubts of Argentina's development tendency is that nation's decades-old nuclear energy program. This program is the pride of Argentina's nation-builders, as Admiral Carlos Castro Madero, the chief of Argentina's nuclear program, makes clear in the exclusive interview included in this Special Report. Mexico and Brazil, two other nations of Ibero-America which stand with Argentina on the threshold of urbanization and industrial development, have also placed nuclear energy at the center of their plans for national economic growth.

It is the nuclear development plans of these nations which most antagonize the International Monetary Fund and its City of London representatives. As the following reports on recent setbacks to Mexico and Brazil's nuclear programs attest, the British have determined to use Ibero-America's growing debt burden, which is now approaching \$200 billion for Brazil, Argentina, and Mexico, to destroy these programs before they can get off the ground. Let London beware. The "debt bomb" proposal to collapse the bankrupt pound sterling with a united front refusal by Ibero-American creditors to honor their debts to the British is on the agenda, and the tables may be turned.



Philip Ulanowsky/NSIPS

EIR's Dennis Small tours Argentina and Venezuela

EIR's Latin America Editor Dennis Small recently returned from a two-week visit to Argentina and Venezuela. Small was in these countries at the height of the Malvinas crisis, and used the occasion to inform his hosts that a strong faction exists in the United States—centered around *EIR* founding editor Lyndon H. LaRouche—opposed to Secretary of State Alexander Haig's support for the British in the Malvinas war. Small explained that Haig had violated basic American law, such as the Monroe Doctrine, by backing the British colonial expedition, and called for Haig's resignation from office in order to restore good U.S. relations with Ibero-America.

The receptiveness to these ideas is best indicated by the broad media recognition granted to the *EIR* editor's visit in both nations. Small was on various television and radio talk shows in Argentina, and was covered in the major daily press of both countries.

The Buenos Aires daily *La Nación*, for example, reported Small charging that "U.S. foreign policy today is totally manipulated by Great Britain." The June 14 issue of *Convicción* of Argentina quoted Small as asserting that the United States "needs a strong Argentina and a strong Brazil; otherwise Latin America is going to go the way of Iran." The *Convicción* article explained who LaRouche is to its readership: "The National Democratic Policy Committee is a sector of the Democratic Party headed by Mr. Lyndon LaRouche, who was a presidential precandidate in 1980. In the recent Democratic gubernatorial primary

in Pennsylvania, the fifth state of that country, the grouping's candidate won 20 percent of the vote."

But the press coverage which caused most political commotion in the course of Small's tour was a lengthy story which appeared in the June 24 issue of the Caracas, Venezuela daily, *El Universal*, one day before Alexander Haig was fired. The prominent article was headlined: "Reagan Must Fire Haig or Lose Latin America." Excerpts from the article follow:

"Dennis Small, spokesman for the LaRouche current [in the Democratic Party—ed.], arrived in Caracas from Buenos Aires . . . because their view is that Venezuela has led the Latin American movement in support of Argentina in its battle against Britain. . . .

"Small believes that Great Britain has unleashed a continuation of the Malvinas war, in two regards: first, by internally destabilizing the Argentine government in order to provoke a maximum of institutional chaos in that country; and second, by seeking to disunite Latin America, so that the support Argentina received from a unified Latin America throughout the war will not continue. This they are trying to do, he continued, by provoking long-standing border conflicts among the Latin American nations. . . .

"Small argues that, before anything else, 'the first essential step to reconstruct relations between the U.S. and Latin America that Haig has destroyed, is that the Secretary of State must resign from his post. It is impossible to improve relations between North and South America if this is not done. . . . In addition, medium and long term measures are required to solve the economic problems between North and South America. LaRouche has proposed the creation of a Latin American Common Market to cooperate towards the most rapid possible industrialization of the region. We believe that this must be not only a commercial matter, but must have a credit aspect as well: that is, that new long-term low-interest credits must be issued, with gold backing. We also recognize the urgency of renegotiating the astounding quantity of foreign debt that the Latin American nations hold—more than \$300 billion.'

"Small made reference to the economic forecasts that Mr. LaRouche has issued for many years, and asserted that they have been largely correct. They currently forecast for the end of 1982 and early 1983 a profound crisis in the foreign debt of the developing sector, which 'urgently' requires renegotiation: 'there will be a collapse of the foreign debt of the developing sector, there will be a collapse of U.S. corporate debt; and there will also be a collapse of the New York City real estate market.' "