Argentina bites the IMF bullet

by Mark Sonnenblick

Argentina once again prevented a debt blowout on Sept. 30 by pulling out of the hat yet another of those midnight bank bailouts. This time, however, President Raúl Alfonsín had to "bite the bullet" and put his country under strict IMF conditionalities. These were immediately reflected in decrees reducing real wages while raising internal interest rates by 1.5% monthly.

As Sept. 30 approached, Argentina could only scrape up $100 million of the $950 million in interest due between April 2 and June 30. To ward off automatic default on interest overdue more than 90 days, the banks rolled over the remaining $850 million. They also extended a $750 million bridge loan first granted on December 31, 1982 to tide Argentina over until it settled with the IMF.

The new $850 and $750 million loans "are both overnight rollovers, that is, they are being extended on a day-to-day basis pending firm agreement with the IMF," a banker who advises the New York Council on Foreign Relations told *EIR*. "Argentina," he said, "will get some money from the IMF during the fourth quarter and make its debt payments through December, but by next year it will be clear that they are out of compliance with their IMF austerity guidelines," the banker said. "They can't meet the conditions the IMF is demanding. Then the IMF will cut them off, and by the end of the first quarter 1985 Argentina will be in trouble all over again."

'Hunger, marginality, and misery'

The core of the technical memorandum Argentina signed with the IMF on Sept. 25 is "a substantial reduction in the growth rate of credit and money supply." The orthodox monetarist tourniquet on credit means depression. Unless inflation magically descends from the 27.5% for the month of September (687.6% in the past 12 months) to the 8% monthly level fixed by the end of 1985, Argentina's industrial economy will be put through the wringer again.

In New York, the day before the IMF agreement was announced, Alfonsín accused the IMF of imposing "hunger, marginality, and misery with its recessionary prescriptions." Those words could be engraved on his political tombstone were he to fight to implement his agreement with the IMF.

The political storm is just beginning. The Peronist deputies put out a communiqué stating that President Alfonsín's IMF memo "provides for: zero growth; wage reductions; increased taxes, utility rates, and interest rates; devaluation; total payment of interest on the foreign debt; elimination of price controls, shrinking of State companies; and reduction of the already insufficient federal aid to the provinces."

The Christian Democrats demanded Alfonsín make public any hidden clauses in the IMF agreement. "The foreign debt must not be paid at the price of the economic collapse of the nation, which will invariably happen if the interior minister is correct in saying half of the income coming from Argentine exports will go to paying debt service," their statement declared.

Even the youth section of Alfonsín's own Radical Party voiced its protest. By Oct. 2, the Radical Party lost its slim Congressional majority when three provincial deputies went over to the opposition.

The Peronist-run CGT labor movement put itself on a "state of alert" in response to the government's Oct. 1 announcement that wages would be increased only 14% monthly, half the inflation rate.

Why did Alfonsín yield to the IMF? Ask Henry Kissinger, who went to Buenos Aires to visit the Argentine President on Sept. 11-12 and then hosted his luncheon with top creditors in New York on Sept. 26. Kissinger's threat was replayed in a Sept. 26 *New York Times* editorial: "Buenos Aires is bound to make a sincere effort [to comply with the IMF] or risk a cutoff in its credit and trade, especially as other Latin debtors show progress in bringing their economies into line."

'Brazil will be the Argentina of 1985'

With Argentina committed to the IMF and negotiating the restructuring of $24 billion in debt to private banks, all the members of a potential "debtors' club" are now locked into "the system." Yet, neither the causes nor the effects of the debt crisis have been solved. Thus, as fast as the bankers get their hooks into one country, another "falls apart."

"Brazil will be the Argentina of 1985," the CFR-related banker warned. "Phase II of their IMF program is over at the end of December. The old government is completely discredited. They have a new government coming in next year, and the banks won't even know whom they are negotiating with. By the end of the first quarter, it will be unable to pay the interest on its debt.

"The press has been saying that the Brazil debt negotiations will go like clockwork like Mexico, but they are wrong. They can get a Mexico deal on their principal, to stretch out the principal, but it won't solve their problem because Brazil, unlike Mexico, can't pay their interest.

"The difference is that Mexico can cut its imports to the bone, Brazil can't," he explained. "Brazil's imports have been cut to $15 billion and that is the bone—50% of imports are oil. So Brazil's trade surplus is only going to be $11-12 billion in 1984, and their interest bill is $12-13 billion. So Brazil's problem is that it needs new money to fund this current account deficit through the 1980s, and the small banks will just balk."

The Kra Canal

and the

Industrialization of Thailand

A Conference Sponsored by

The Communications Ministry of Thailand
The Fusion Energy Foundation, U.S.A.
Executive Intelligence Review Limited Partnership, Bangkok

Oct. 31–Nov. 1, 1984

Dusit Thani Hotel Bangkok, Thailand

Wednesday, October 31

9:00 a.m.

Opening and Keynote Address

His Excellency Minister Samak Sundaravej, *Minister of Communications, Thailand*

9:45 a.m.

The Economic Feasibility of The Kra Canal

PANEL CHAIRMAN:
Dr. Chitti Wacharasindhu, *Deputy Permanent Secretary of the Communications Ministry of Thailand*

PANELISTS:
Dr. Nimit Nontapunthawat, *Vice-President, Chief Economist, and Manager, Economic and Marketing Research Center, Bangkok Bank*

Sattaporn Tavitanun, *Deputy Secretary General of the Board of Investments of the Office of Prime Minister*

Dr. Uwe Henke v. Parpart, *Director of Research, Fusion Energy Foundation*

2:00 p.m.

Advanced Technologies For Canal Construction

Dr. Milo Nordyke, *Lawrence Livermore Laboratories, California*

Harry Ekizian, *T.A.M.S., New York*

Pongpol Adireksarn, *Member of Parliament, Thailand*

Thursday, November 1

9:00 a.m.

High-Technology Industrial Development in the Canal Zone

Dr. Svasti Srisukh, *Former Secretary General of the Office of Atomic Energy for Peace, Thailand*

Ramtanu Maitra, *Editor, Fusion Asia*

Douglas Headley, *Engineering specialist, Pacific Engineers and Constructors, Taiwan*

Scott Morrison, *President, Dorwood Industries; past executive vice-president, Sealand*

2:00 p.m.

International Policy— Regional Development and Cooperation

Pacifico Castro, *Deputy Foreign Minister of the Philippines*

General Saiyud Kerdpol, *former Supreme Commander, Thai Armed Forces*

R.K. Hazari, *economist, Bombay, India*

Representatives from the nations of ASEAN

Pakdee Tanapura, *Fusion Energy Foundation, Thailand*

Admission: $50.00

For More Information Call:

Fusion Energy Foundation
304 W. 58th St., N.Y., N.Y. 10019, 212-247-8820

Fusion Asia
C-9 Nizamuddin East, New Delhi, 110013, India, 11-617-109

Executive Intelligence Review Limited Partnership
421 Soi Siri Chunla Saweg,
Silom Road, Bangkok 10500 Thailand, 2-235-4868