Argentina

Beagle agreement is not the real issue

by Cynthia Rush

Some Argentine nationalists are protesting as a "giveaway" the Alfonsín government's Oct. 18 signing of a pre-agreement with the Chilean government over the disputed Beagle Channel islands lying at the tip of Argentina's southernmost territory, Tierra del Fuego.

The pre-agreement, mediated by the Vatican, recognizes Chilean sovereignty over the 10 disputed islands in the channel and establishes Chilean jurisdiction over a strip of ocean extending three miles to the south of the easternmost of the islands. Eliminated is the Vatican's 1980 proposal for creating an area of shared economic activity in the southeastern Atlantic; the Argentines charged that this violated the "bioceanic principle," which a century ago established Argentina as an "Atlantic power" and Chile as a "Pacific power." The new agreement leaves the principle intact.

The pre-agreement, to be elaborated in its final version through further negotiations, is the subject of a Nov. 25 national referendum in Argentina and must also be ratified by the Argentine congress. It is not the definitive solution to a territorial dispute which brought Argentina and Chile in 1978 to the brink of armed conflict and which will undoubtedly be the subject of future manipulation as long as Henry Kissinger and his cronies maintain control over U.S. foreign policy.

But the Beagle agreement is not the most dangerous threat to Argentine sovereignty at this moment. Far more ominous are the International Monetary Fund's demands that the Alfonsín government buckle under to an orthodox austerity regime in order to refinance its foreign debt—and Alfonsín's steps to meet those demands. Nationalist forces inside and outside the government have vocally protested the IMF stranglehold, but they haven't been able to break it. Even as they protest the Beagle accord, they watch impotently the disintegration of the national economy which threatens to unleash a social chaos of the kind that occurred in Khomeini's Iran.

Alfonsín humiliated himself in September by allowing Henry Kissinger, one of the most vocal proponents of "Iranizing" Argentina, to mediate Argentina's relationship with its foreign creditors; shortly afterward, Finance Minister Bernardo Grinspun shouted to the world that the nation had finally come to a happy agreement with the IMF. Fresh credits were to have been forthcoming immediately.

But in continuous talks since then with the 11-bank steering committee representing 320 creditor banks, Grinspun and other authorities have come away empty-handed. The IMF found fault with the government's decision to grant a 14% wage increase for each of the last three months of 1984 (monthly inflation was twice that), and sent another technical mission to Buenos Aires to investigate. Creditors were not impressed with the government's decision to raise domestic interest rates and utility tariffs and turn its back on labor requests for further wage increases. Citibank chairman John Reed said on Oct. 23 that there will be no discussion on refinancing terms for Argentina until the government gets serious about imposing IMF austerity.

In response to their request for a Mexican-style refinancing package—15-year repayment period with 1-year grace—Argentine authorities were told that Mexico was only awarded such terms after imposing 3 years of the harshest austerity. Talks with creditor banks are reportedly now suspended until mid-December due to differences over the terms of the renegotiation.

In the meantime, the Argentine economy is unraveling at an astounding rate. Annual inflation is at 600%; industrialists whose companies are subject to strict price controls are being driven out of business, unable to cover the costs of production and unable to obtain credit at interest rates under 400% annually. Provincial governments which cannot obtain financing from the IMF-inspired national budget have been forced to strike out on their own to meet the needs of their local economies. The result is a process of disintegration which threatens the nation's physical and economic integrity.

Exemplary is the decision earlier this month by the Peronist governor of Salta, one of the largest northern provinces, to authorize a 1.5 billion peso issuance of local bonds. Issued initially to pay the public debt, these "Salta pesos" constitute a parallel currency: They are used to pay salaries and for services provided to the provincial government by national utility companies. Stores and restaurants accept them as they would pesos. As Gov. Roberto Romero explained, he had no choice but to take this action. "To date, we have received only 50 million of the 300 million pesos owed to us through revenue sharing, and the National Treasury has sent us less than half of the 450 million owed us. . . ."

As is the case throughout the world, the only nation to gain strategically from IMF and State Department policy toward Argentina is the Soviet Union. The Soviet ambassador to Argentina announced in June of this year that his government is more than happy to offer cheap credits and technological agreements to both the national and provincial governments, or separately to provincial governments. The daily *Tiempo Argentino* announced on Oct. 24 that several governors are currently visiting the U.S.S.R. to discuss economic agreements, and that the government has decided to double its exports to the Soviet Union this year. The state oil company YPF just agreed to a major purchase of Soviet built oil-drilling equipment.