

International Monetary Fund plunges Argentina into deep poverty

by Gerardo Terán and Gonzalo Huertas

Last Feb. 14, the Argentine government announced the details of the letter of intent it had signed with the International Monetary Fund (IMF). In exchange for a \$7.4 billion credit line, to be disbursed over a three-year period, the De la Rúa government agreed to the following: 1) transform the state-owned Banco de la Nación into a stock company, as the first step toward full privatization; 2) sell off the stock the state still owns in privatized companies, worth approximately \$700 million; 3) eliminate exemptions from the value-added tax (VAT) and income tax; 4) gradually increase the retirement age for women, from 60 to 65; 5) implement the so-called "labor flexibility" plan to smash labor unions; 6) reduce the wage bill in the public sector by 3.5%, "saving" \$250 million largely through "voluntary" retirement; 7) limit provincial indebtedness; 8) increase Gross Domestic Product by 3.5% this year; 9) gradually reduce the fiscal deficit, from \$4.5 billion this year to zero in the year 2003; and 10) increase tax revenues by \$2 billion this year.

In statements on March 9, Claudio Loser, head of the IMF's Western Hemisphere Department, said, "We're supporting the government's plan, which is very ambitious. . . . The current government has understood the country's challenges and is managing them very well. So-called conditionalities aren't really that, but are reflections in the economic program of the national and international economy."

The IMF's orders imply a policy of looting and confiscation which will lead to the destruction of the two pillars of the Argentine nation-state: the pioneering agricultural sector, which will be stripped of its lands — some of the most fertile in the world — by international food cartels; and the Argentine middle class, made up of workers, small businessmen, and professionals.

Gutting wages

The "tax reform" announced at the beginning of this year is the centerpiece of the government's plan to lower the fiscal deficit, by gutting wages and living standards. The shrinkage of productive economic activity over the past ten years, as a result of the Menem government's currency-board system, has destroyed the tax base. The tax package is an extreme case of what Lyndon LaRouche refers to as "chiseling": It removes many existing exemptions, especially for lower-income or self-employed brackets, increases the personal in-

come tax, expands the VAT tax, but *does not* tax financial transactions and income (i.e., stock dividends) or funds sent abroad. Families are a particular target of the reform, as it reduces deductions that can be claimed for wives, children, or other dependents. It is now the case, as the daily *Clarín* reported on March 7, that almost half of the average wage will go toward tax payments. Panicked citizens report that their only option now is to *reduce consumption*.

Combined with the year 2000 budget, which mandated \$1.4 billion in cuts, the De la Rúa tax reform targets the middle and lower classes, gouging wages, pensions, medical benefits (including medicines), and provincial funds, to cough up the money that the IMF is demanding, supposedly to make Argentina "attractive" to foreign investors and guarantee payment of foreign debt.

Along the same lines, through Chief of Cabinet Rodolfo Terragno, the government has announced that it will send a package of bills to Congress to curb tax evasion, the spirit of which is totally repressive. This legislation demands that, to be considered legally paid, all taxes over \$10,000 must be paid by check, bank draft, credit card, or cashiers check. In addition, the tax revenue agency AFIP plans to privatize the collection of tax arrears, estimated to be in the range of \$8 billion. Those who don't pay will have to hand over assets, not to the government, but to a private collector, while AFIP will be authorized to file suit against employers whose employees are in arrears.

Scorched-earth plan for agriculture

Using IMF rhetoric, on Feb. 8, President Fernando de la Rúa announced a plan to refinance the agricultural sector's debt, over 20 years and at an annual interest rate of 12-13.5%, through the Banco de la Nación (BNA). To be eligible for the BNA plan, producers who were in arrears as of Oct. 31, 1999 must buy up part of their debt in cash, and the rest through bonds. Those who are up to date in their debt payments can access the refinancing plan, at a lower interest rate of 11.5%. The plan also includes the offer of a \$150 million credit line to "finance" sales in the futures market, at a better price, of the grain, cotton, and tobacco crops from the 1999-2000 season; and a \$100 million credit line to "finance the purchase of nationally produced capital goods at an annual rate of 7%, over five years."

As of this writing, agriculture sector debt held by the BNA amounts to \$3.1 billion, of which \$1.8 billion is current, and \$1.3 billion is in arrears, because people are just unable to pay. As an important agricultural producer asked *EIR*, “How can we pay these interest rates, if the farm sector’s annual profitability is barely 4%?” There is no doubt that the refinancing plan is definitely “in the spirit of the IMF.” The president of the Confederation of Rural Associations of Buenos Aires and La Pampa, said, “They hit us with a tax bludgeon, without eliminating the tax on gasoline and the minimum presumed income. Moreover, the refinancing offered by Banco de la Nación is expensive and inadequate.”

The president of Banco de la Nación, Chrystian Colombo, has made it very clear that this plan is confiscatory in nature, and its design was not intended to revive agriculture. When asked whether producers could expect a “less onerous” refinancing plan, he answered menacingly, “You’re wrong. Let’s be clear that this is the last chance to normalize the debt [situation]. Lawsuits have been suspended, but only to give people time to get themselves in shape with this program. This is not a forgiveness of debts—it’s a payment plan.” That is, anyone who doesn’t pay, loses his land!

This hasn’t escaped the attention of the bankers, who can’t wait to get their hands on Argentina’s lucrative farmlands. Over 50 years, the farm sector has contributed \$350 billion to the rest of the economy, according to a study by the Carlos Pellegrini Foundation.

Labor reform: the eclipse of the CGT

On Feb. 24, the Chamber of Deputies approved the labor reform ordered by the IMF. One day prior to this vote, through a “negotiation,” the government succeeded in breaking the resistance of the General Labor Confederation’s (CGT) leadership, after which the labor leaders backed the reform “in exchange for maintaining control over some economic resources,” according to the daily *La Nación*’s Joaquín Morales Solá. The deal offers immunity to those CGT leaders implicated in corruption in an investigation of the Integral Medical Assistance Program, the social security program for retirees, being pursued by the government and the “anti-corruption” non-governmental organization, Transparency International.

Other fruits of the CGT’s negotiation with the government include letting the union reassume control over the labor health benefits fund (\$360 million annually); union participation in “new” collective bargaining, by company, instead of industry-wide; and, government acquiescence to labor’s continued management of its mandatory contributions to social and other programs.

Lest there be any doubt as to the government’s success in imposing austerity, according to *La Nación* on Feb. 27, Labor Minister Alberto Flamarique triumphantly boasted, “The government sought a process to modernize labor relations. We have that. What did the government give up? Nothing.”

Following its negotiations with the government, the CGT

had dropped its earlier call for a national strike. But, not everyone in the labor movement has rolled over. A more radical grouping within the CGT, which opposes the IMF’s “reform,” is led by the Argentine Workers Movement (MTA) and its secretary general Hugo Moyano. Together with the Argentine Workers Confederation, the MTA organized two large demonstrations on Feb. 24 against the economic model, and the negotiating stance of the CGT’s leadership. Then, on March 17, the CGT effectively split, and Moyano was elected to preside over what is now called the “combative CGT,” which argues that IMF “prescriptions have failed around the world.”

Slave labor for the Armed Forces

This year, the De la Rúa government has reduced the defense budget by \$150 million, continuing the policy of dismantling the Armed Forces which *EIR* exposed in its 1993 book *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, a policy which has been demanded by the IMF and the World Bank. It has also fired 1,500 experienced intelligence agents, 1,000 from the State Intelligence Service (SIDE), and 500 from the Army. All military intelligence, including the SIDE, will be centralized, and as of March, the new Intelligence Institute of the Armed Forces began operation at the Army’s Superior War College. Departments and military units of the three branches of the Armed Forces will either be eliminated or merged, and buildings belonging to the Armed Forces will be sold.

As a further blow, and in the tradition of Adolf Hitler’s Economics Minister Hjalmar Schacht, the government is now introducing a plan for “volunteers for defense,” in which the ultra-monetarist Defense Minister, Ricardo López Murphy, will “contract” between 15,000 and 20,000 unemployed youth to serve as volunteers through the so-called Labor Plan. These young people will be offered \$100 to \$200 a month, in exchange for unproductive slave labor, with the idea of saving another \$50 million the Army currently spends to maintain a 5,000-man volunteer force.

Should anyone doubt the degree to which government officials are steeped in IMF mentality, they should consider the following. Recently, Omar Evequoz, the Honorary Consul of Mozambique, where flooding has caused enormous human tragedy, requested a meeting with Argentina’s Foreign Minister, “economist” Adalberto Rodríguez Giavarini. Evequoz wanted to ask the Argentine government to assist in transporting food and other humanitarian aid to Mozambique, by making an Air Force plane available for that purpose. Rodríguez refused to meet with the consul, instead passing him off to a third-level official, who informed Evequoz that the De la Rúa government “was not in a position to send an Air Force plane with humanitarian aid.” In a subsequent phone conversation, a Foreign Ministry official told *EIR* that the Ministry cannot help Mozambique with transport of humanitarian assistance “because the cost [of sending] the plane is too great.” There is no doubt that Argentina is on the road to Africanization.