

To Defend Argentina's 'Heart And Soul,' Go With LaRouche!

by Cynthia R. Rush

Argentina's already tense relations with the International Monetary Fund (IMF) exploded into a public brawl in December, captured in media headlines internationally. The Fund provoked the confrontation when it cancelled the three-month performance review of the agreement signed with Argentina last September. The cancellation was a crass attempt to pressure the government of Néstor Kirchner into offering a better deal to foreign bondholders in the restructuring of \$99 billion in debt, on which the government defaulted in December 2001. U.S. Treasury Undersecretary John Taylor publicly backed the IMF, threatening that the review might never happen, because the debt restructuring deal, which proposes to write down the bonds' nominal value by 75%, is not sufficiently "transparent."

The Fund also withheld a \$250 million disbursement that was supposed to be released upon completion of the review, and demanded that Argentina hike its primary budget surplus (the amount set aside to pay debt) from the 3% of GDP agreed on in September, to closer to 5%, if it wanted to be considered eligible for future assistance. On Dec. 17, the daily *Ambito Financiero* published excerpts of a secret IMF document, which warned that a primary surplus of 3% of GDP won't allow Argentina to pay enough debt service in 2005-06.

Kirchner responded angrily to the Fund's blackmail by warning from the Common Market of the South (Mercosur) summit in Montevideo on Dec. 16, that Argentina "will accept no pressures, either overt or covert, to increase our payments abroad." Accusing the Fund of reneging on the September accord, which agreed that debt payment would be compatible "with our domestic objectives," he warned that were Argentina forced into an "unsustainable restructuring," requiring it to virtually shut down its economy to meet creditors demands for only a 35% writedown of bonds' value—more than the bonds are worth—the repercussions

would be felt internationally.

He asked his fellow Mercosur Presidents—Brazil, Paraguay, Uruguay, and associate members Chile, Bolivia, and Peru—to evaluate the potential regional implications of a renewed Argentine debt crisis. The significance of Kirchner's statements couldn't have been lost on Brazilian President Lula da Silva, whose country is sitting atop its own precarious \$500 billion debt bubble, that would quickly blow were Argentina to be destabilized.

Bloodlust

Ignoring Kirchner, just days before Christmas, the Fund sent a delegation to Buenos Aires to squeeze the country further. It was led by British economist John Thornton, whose draconian outlook has earned him the nickname of "the Undertaker." Not only did Thornton demand better terms on the restructuring, but made two additional demands: a \$10 billion bailout of largely foreign-owned local banks, which supposedly had suffered an "unfair portion" of the costs of the January 2002 peso devaluation; and a bailout of privatized utility companies, by allowing them to raise their rates. These same, mainly European-owned companies made fabulous profits during the privatization binge of the 1990s, and don't want their looting interrupted.

This thuggery should surprise no one. When Argentina finally reached an agreement with the IMF on Sept. 11, 2003, two days after missing a \$2.9 billion payment to the Fund (subsequently paid), Kirchner euphorically proclaimed that the IMF had "blinked," and Argentina had come away with a deal that was relatively "soft." The manic President boasted later, "I could have brought down the whole [IMF] system."

The problem, as Democratic Presidential pre-candidate Lyndon LaRouche pointed out at the time, is that Kirchner didn't do that. There is nothing to be gained by cohabiting



Argentine President Néstor Kirchner had proclaimed in October that "I could have brought down the whole IMF system." The problem is that he did not do that, as Argentina is now learning to its pain.

with the IMF's rotting corpse, LaRouche said, which fact is borne out by the bludgeoning the country has received at the hands of the IMF, and every other species of financial predator, since the September agreement—especially as the global economic crash has accelerated, and the U.S. dollar borders on total collapse.

Look at the bondholders who shriek that the government's restructuring plan is grossly unfair. The majority of these alleged "creditors" are really vulture funds, which speculate on countries' debt to make a financial killing. They purchased Argentina's debt on secondary markets, just before the 2001 default, at 20% of face value, and are now screaming bloody murder because Argentina won't respect their looting rights. Vulture fund godfather Kenneth Dart, whose EM Ltd. won a ruling from New York Federal Judge Thomas Griesa in October for \$724 million, from an initial \$500 million investment, typifies this mentality.

To give the government time to get its restructuring plan moving, Griesa stayed the execution of the Dart ruling for 90 days on Oct. 31. But that hasn't stopped other bondholder

groups from threatening the country, launching legal suits, and mapping out the location of Argentine government assets in preparation for seizing them, should Kirchner not capitulate by the time the 90-day period expires on Jan. 31.

The IMF's September agreement with Argentina contains no conditionality relating to the debt restructuring plan. Moreover, Argentina has continued to pay the Fund both principal and interest on its debt (with no writedown), thus making it a "privileged" creditor. Yet, in a Dec. 16 press conference, IMF External Affairs officer Thomas Dawson asserted that the delay in the performance review was due to Argentina's failure to deal with certain "open issues." It was understood by all that the "open issue" on the table was the debt restructuring proposal.

A Rearguard Battle

In this current battle with the Fund, Kirchner and Finance Minister Roberto Lavagna have largely stuck to their guns, although Argentina made two smaller payments to the IMF and Inter-American Development Bank, using Central Bank reserves. During a Dec. 23 factory-opening ceremony in Buenos Aires, just as the IMF mission was leaving empty-handed, Kirchner said he was tired of hearing scare stories about the Fund. The Fund "wants to change the primary budget surplus," he said, "but they won't twist my arm. . . . Enough of the naysayers who predict we're done for, unless we do it their way." Because, before the Fund, "comes the heart, soul, and mind of Argentines." Pointing to the 8% growth rate the economy will reportedly show this year, Kirchner charged that creditors are screaming because they see that Argentina "is recovering," so they "want more."

In response to a question about Kirchner's performance as President—asked during his historic Washington, D.C. webcast Dec. 12—Lyndon LaRouche remarked that the Argentine President's commitment to defend his country and population is admirable. Unfortunately, he added, what he's done so far isn't adequate. In the context of the global financial crash, hysterical financial predators will only demand more Argentine blood.

And the country is extremely vulnerable, because its "recovery" is only due to the spurt of import substitution that followed the 2002 peso devaluation. Absent LaRouche's New Bretton Woods financial reorganization, Argentina is a powderkeg waiting to explode, with the added ingredient of a Jacobin *piquetero* protest movement, linked to Venezuela's left-wing synarchist Hugo Chávez, mobilizing to ensure this happens. Fuelling this is the fact that the poverty rate remains above 50%; over the past 20 months, real wages have declined by almost 20%, while the real unemployment rate remains at 21%. More than 45% of the economically active population works in the "informal" sector, bereft of benefits or any type of job security. As London's *Financial Times* smugly pointed out in a Dec. 22 editorial, a recovery based on a dramatic collapse in living standards and real wages cannot be sustained.