

International Credit by Renée Sigerson

Ditchley cartel's new war on Argentina

Advised by Henry Kissinger, some stupid U.S. banks believe that they can "absorb" an Argentine default.

Major money-center bank lenders to Argentina met in New York at Citibank headquarters March 7-8 to plan a new ratchet of credit cuts to Ibero-America. The end result could be an open default by Argentina on its \$45 billion foreign debt. "The fallout this could have on Mexico, Brazil, and Venezuela" might rock the system, as one banker phrased it to *EIR*.

Under the advice of leading British banks and Henry Kissinger, unofficial chairman of the Council of the America's Commission on Latin American Debt, the New York banks are apparently prepared to take the risk that no other country will side with Argentina.

The banks incited a crisis at a press briefing before the meeting by revealing how bad Argentina's debt is.

Manufacturers Hanover President Harry Taylor put the story in the spotlight March 6 when he told the *Washington Post* that Argentina must immediately pay up its \$3 billion in interest arrearages. Under a front-page headline, "Argentine Loans in Arrears by \$3 Billion," the *Post* quotes Taylor and others stating that Argentina "has enough dollars to make the required payments" of at least \$1.1 billion, which would bring the arrearages back under the 90-day limit under U.S. law.

Taylor was backed up by Lloyds and Britain's other major lenders to Argentina, who have no such legal deadline to meet but refuse to lend Argentina money to pay the interest.

Taylor, joined by Argentina's other large creditors—Morgan, Citibank,

and Chase Manhattan, told the press that if Argentina won't pay up, his bank and other majors will declare the country's loans non-performing at the end of the first quarter on March 31.

If they do this, Argentina's creditors will have to forego all first-quarter interest income from Argentina, and many will have to write off some income they declared last year.

Taylor told the press that the banks could handle the resultant losses on Argentine debt as "not a crisis, but an irritation."

The banks calculate that they can sustain a loss of \$1.1 billion in Argentine interest payments, spread among 110 banks at \$10 million each. Manufacturers Hanover, Argentina's biggest lender with \$1.5 billion in loans, would have to take a reduction in earnings of some \$25 million maximum; likewise Citibank, with \$1.3 billion to Argentina.

The Argentine government of Raul Alfonsín is also playing tough. On March 6, it formally cancelled its loan agreement with the International Monetary Fund because it won't meet IMF conditions. *EIR* previously reported that Argentina is accumulating dollars for use in a possible debt moratorium.

The major banks, however, are confident they can handle an Argentine moratorium, so long as it does not spread to other debtor countries. Their goal is a "controlled" banking crisis, centered again on Argentina. They have organized themselves into a creditor cartel, but are hysterical at the

prospect that the debtors might do the same thing.

In May 1982, the Ditchley Group creditors' cartel was formed by Morgan, Citibank, and their British and Swiss seniors in Ditchley Park, London. It proceeded to reduce lending to Ibero-America from an \$8 billion rate in the second quarter of the year to a \$2.7 billion rate.

Money center bankers interviewed by *EIR* were quite cocky about pushing Argentina to the wall. If Argentina doesn't pay, "the losses can be absorbed."

"Argentine hard line? That's no problem as far as we're concerned," one banker laughed. "They have two faces: one for the press, and one for the banks. For the press, domestically, Alfonsín is talking about fighting the IMF, but, in fact, he is moving to please the IMF."

Alfonsín, he bragged, will carry out the IMF's most important demand, "the democratization of the trade unions." This means purging the Peronist nationalists in the unions, the only real base of popular opposition to the IMF.

But one U.S. regional banker warned that the game is dangerous indeed. "Are they bluffing? I think the same thing I've thought for the last two years—Argentina could easily be planning to do the same thing they did in the Falklands," that is, go all the way.

A companion piece to the Taylor threat in the *Washington Post* made it clear that the faction of the U.S. military under Kissinger's influence is willing to back up the banks. Following a London *Economist* report this month that "the Falklands campaign could not have been mounted, let alone won, without American help," the *Post* confirmed the story with Pentagon officials in Washington on March 8.