

Argentine case study: Why the IMF attacks military nation-builders

by Cynthia R. Rush

At the International Monetary Fund's recent meeting in Bangkok, Thailand, Managing Director Michel Camdessus demanded that developing nations drastically reduce their military budgets, so as to "save" \$100 billion which could then allegedly be channeled into social programs to help the poor. At an earlier IMF meeting in April of this year, former World Bank president Robert McNamara made a similar proposal, with the variant that supranational military forces could always be called on to supplant national armies. The rationale behind these proposals is that now that the Cold War is over, there is no need for Third World militaries to exist; subversion is not a problem, and military budgets are simply wasteful, often used only to finance "pharaonic projects" or other of the armed forces' "corrupt" schemes.

In reality, the IMF's demand has nothing to do with the desire to redirect funds to social programs or help the impoverished masses. Rather, it reflects the Fund's policy of destroying the nation-state and those institutions, such as the armed forces, which sustain it, in furtherance of its own malthusian agenda. Throughout the Third World, and especially in Ibero-America, factions of the armed forces have historically been instrumental in developing their nations economically, directing and participating in the development of basic infrastructure and industry, exploiting natural resources needed for industry, developing cheap energy sources as well as advanced scientific and technological capability.

Under George Bush's new world order, as the case of Iraq proved, such a role for the armed forces is not tolerable. National sovereignty is to be replaced by the eco-fascist concept of "sustainable development" and a small, restructured armed forces can be available to be sent, rapid-deployment style, anywhere the new world order needs them. Haiti is a likely next victim. To make that point, in a recent visit to Argentina, the U.S. Army's second-in-command, Gen. Dennis Reimer, bragged about U.S. military exploits in Grenada and Panama, but when asked about Cuba by an Argentine officer, laughed, "Oh, we're saving Cuba for you."

That General Reimer was so explicit with Argentine mili-

tary leaders as to what role he envisions for them, is no accident. The new world order demands the destruction of that faction of the Argentine army—today led by the imprisoned nationalist Col. Mohamed Alf Seineldín—which opposes these imperialist schemes. The Menem government's furious vendetta against military nationalists known as *carapintadas* ("painted faces," in reference to the camouflage paint worn by soldiers) reflects the Anglo-Americans' obsession with wiping out a *nation-building* tradition which, since at least the period of World War I, has fought to achieve Argentina's economic independence and embark on the road to industrialization, free from the blackmail and usury of foreign—especially British—financial interests and cartels which sought to control its raw materials and maintain it as an agrarian economy.

A proud tradition

Ignoring the vital connection between the military-industrial apparatus and the development of the civilian economy, Argentine President Carlos Menem and his coterie bray that the offensive role of the Armed Forces has now been replaced by a purely defensive one and a "new regional order"; and, in the name of free enterprise and "modernization," Menem is preparing to dismember and deliver to foreign interests the Army's proudest achievements: the military industries complex known as Fabricaciones Militares, the Somisa steel plants, the Bahía Blanca and General Mosconi petrochemical companies, and the YPF state oil monopoly, to name only a few. The nuclear energy program, in which the Navy has played a crucial role from its inception, is already in shambles. Over a year ago, Menem agreed to shut down the Air Force's missile development program, represented by the Condor II missile, at the request of the U.S. government.

In so doing, Carlos Menem is spitting on decades of extraordinary effort by military engineers, scientists, technicians, and skilled workers who brought these projects into being as part of a broader commitment to the advancement of the nation and the defense of sovereignty. This is especially

offensive to the memory of patriots such as Gen. Manuel Savio, the Army engineer who worked to create Fabricaciones Militares in 1941 and subsequently, the mixed, state-private steel company, Somisa in 1947, conceived of as the cornerstone of the nation's industrialization program; and to Gen. Enrique Mosconi, who, as head of the state oil concern, YPF, from 1922-30, transformed it into a model for those nationalists throughout Ibero-America who sought to develop and protect oil reserves for the industrial development of their countries. Mosconi is often compared to Italy's Enrico Mattei, founder of the state-run ENI.

What is it in the achievements of these patriots that has inspired such hatred among the Anglo-Americans?

Generals Mosconi, Savio, and many others attempted to reverse the British free-trade policies which had dominated Argentina practically since its independence from Spain—the very same policies Menem is imposing today. In the minds of military nationalists, the concept of national defense, in peacetime or in war, was intimately linked to industrialization and economic progress. As General Savio wrote in 1933 in one of his course texts: "For normal times, modern trade and economic rivalry demand a scientific organization of existing [national] forces and, therefore, an exact knowledge of them. An industrial plan is indispensable for peacetime, which comes to constitute a greater degree of preparation for an eventual [armed] conflict."

Having witnessed the collapse which Argentina's export-dependent economy suffered during World War I, these military nationalists sought alternatives in the protectionist, dirigist policies historically associated with such "American System" economists as the first U.S. Treasury Secretary, Alexander Hamilton, or the German-American economist Friedrich List. They were attracted to the views of respected Argentine economist Alejandro Bunge, who had studied in Germany, and, in the period during and after World War I, was the most prominent advocate of List's protectionist policies as set down in his *National System of Political Economy*, as well as of programs to industrialize the country's interior and develop its mining and petroleum resources. During the decade of the 1920s, the Army Engineering Corps emerged as the group most publicly identified with the concept that industrialization was the guarantor of national security.

Gen. Manuel Savio belonged to this generation. During the three years he spent in Europe beginning in 1923, he perfected his knowledge and experience in the area of industrial organization. Back home in 1926, he was assigned to the National Military College, where he was a professor of the Engineering Service and the Military Industrial Organization. One of his crowning achievements was the founding in 1930 of the Superior Technical School, which he directed and from which, as Somisa President Oscar M. Chescoffa wrote in 1972, "were graduated brilliant classes of military engineers who would have prominent participation in the

development of all the industries created by the Argentine Army." From his post as director of military industries of the General Directorate of Army Matériel in 1937, Savio began to work toward the creation of what, in 1941, would become the General Directorate of Military Industries, or Fabricaciones Militares.

A force for development

The 1941 Law 12.709 which established Fabricaciones Militares states that one of its primary purposes is to "perform the studies, research, and statistical [work] to perfect knowledge of the country's industrial potential, related to the production of war matériel and goods and the corresponding preparation for industrial mobilization." This included state-directed exploration and exploitation of raw materials and minerals, and the building of whatever energy, transportation or other basic infrastructure was required to achieve these goals. Article 5 of the decree also stipulated that aside from war production, "the military plants can produce goods for general consumption when . . . these are not produced by private industry or are produced in quantities insufficient for the country's needs." The decree prohibited the export of minerals considered to be of strategic importance for purposes of national defense, and also allowed for the participation of private Argentine capital in the creation of mixed companies.

What most infuriated those financial interests which had always considered Argentina their personal looting ground, was that Savio conceived of Fabricaciones Militares not only as a way to produce war matériel, but as a motor for the country's global economic development. The state would determine development priorities and guarantee their protection, but private industry and capital would be welcomed to participate as well. In the context of a broad industrialization plan, General Savio foresaw that state and private industry could work together on behalf of the "highest interests of the nation." Among other things, the industrialization plan was intended as a means to achieve a more balanced national development, relieving Buenos Aires of its congestion as the center of industry and manufacturing, and establishing factories in more remote areas of the country with an eye toward populating and developing them economically.

In a 1942 speech before the Argentine Industrial Union (UIA), Savio explained that "the state's presence in the plan we have structured is indispensable. As a general policy we don't advocate it, but note that at this time, it is not uncommon that the state direct the economy. . . . Its action should be distinguished from that of the businessman, characterized rather by the promotion of development. It should not seek profits in this instance; it should take charge of the startup . . . such that it takes on itself the failures—which can't be ruled out—the efforts and resulting expenditures." However, Savio added, the state must regulate and protect the final product "through a subsidy or other tariff or tax instrument

which, of course, should not go beyond what is convenient for the highest interests of the nation.”

Savio emphasized that he was not proposing economic autarky. In the same 1942 speech, he underscored that protection “is simply a matter of applying elementary means of defense until we know to what degree protection is required.” It would be a “serious mistake,” he added, “not to permanently stimulate an ever more satisfactory action from our private industry. Nothing could justify impeding its development by competing with it.” Lest there be any doubts about the role of the state, however, Savio reiterated in 1944 that “in this great national effort” of industrial mobilization, the full weight of the state, “free of tendentious influences,” would be required to guarantee its completion. “It will be necessary from the beginning [for the state] to ‘direct’ its development and harmonize it within the national economy.”

Confronting ‘powerful organizations’

General Savio and others who helped build Fabricaciones Militares and the Somisa steel complex had no illusions as to why a dirigist effort was necessary. In his 1942 speech before the UIA, the general stated that “without euphemisms, I feel compelled to say that without the state’s frank protection, this and any other plan will suffer the same fate; it’s no secret that the universal production of the goods I’ve named here is controlled by powerful organizations, with sufficient resources to unleash decisive crises whenever and wherever they please.” Challenging the industrialists in attendance, Savio said, “Either we extract the iron ore from our deposits . . . or renounce [the plan] to pull ourselves out of our exclusive status as an agricultural and cattle-raising country, renounce the attainment of even a minimal level of industrial importance, with the grave consequences this would imply for the nation.”

Contrary to the IMF and World Bank’s determination today to degrade and ultimately kill the Third World’s labor forces through the promotion of “sustainable development,” Savio knew that if the state directed the development of the economy, in accordance with national interests, the benefits to the work force in terms of living standards, scientific training, and cultural advancement would be extraordinary.

In a 1945 speech celebrating the fourth anniversary of the founding of Fabricaciones Militares, he noted that the creation of new operations to exploit raw materials, and the incipient development of a steel industry, “gives work directly to the miners and foundrymen in the country’s North; as for the wages of those who transport the raw materials to the processing site and transport the finished goods, these translate into food and shelter for many Argentines; but to that food and shelter we must add the extraordinary value of what it means to learn to smelt, to build furnaces, to prepare the refractories, and run important machines. What value can we place on the influence which perfecting their technical capacity for tasks in a mechanized medium has on the spiritu-

al formation of our compatriots?”

In promoting the development of a steel industry, which finally came into being with the founding of Somisa in 1947, Savio noted in the same 1945 speech that “I don’t think it’s forcing the analogy of our political independence in 1816 with our economic independence in 1945—or sometime soon—on the basis of the birth of the steel industry as the cornerstone on which all activities of this nature are to be healthily developed in equilibrium with those of the agricultural and cattle-raising order.” Far from damaging the agricultural sector, Savio emphasized, “We must ever more effectively dedicate ourselves to it, intensifying cultivation, avoid non-utilization of large tracts affected by erosion, fighting plagues, improving the strains, etc.”

A ‘legacy of honor’

This writer remembers vividly a meeting in June 1983 at the large Buenos Aires headquarters of Fabricaciones Militares, in which one of the division directors proudly showed my husband and me maps of the many mining and other raw material and mineral extraction projects then being carried out under the company’s supervision. As a result of Savio’s efforts, Fabricaciones Militares not only successfully directed the exploitation of the country’s raw materials and created Somisa; it also spawned a range of chemical, petrochemical, fertilizer, and other specialized industries throughout the postwar period.

This was before the 1983 election of social democrat Raúl Alfonsín, who launched the plan to dismantle the institution of the Armed Forces continued by Carlos Menem. Today, in consultation with U.S. military personnel, Menem is about to “restructure” and privatize Fabricaciones Militares out of existence, with 75% of its personnel fired. Due to the last two governments’ deliberate cuts in the defense budget, there has been no investment in upgrading the entity’s technology, a key factor in its inefficient functioning. Right now it is operating only at 35% capacity. Add to this the penury of the Army and Air Force, which are so desperate for funds that they are about to auction off their artillery and rocketry on the international market. None of the Navy vessels are in service, and no funds or spare parts are available to repair them. Argentina is truly defenseless.

On Oct. 9, 1944, in a speech during the celebration of Fabricaciones Militares’ third anniversary, General Savio ended with this message on the future of Fabricaciones Militares: “Military engineers: This is your product; it is like a son of yours, and to you correspond all the obligations of a parent—never omit a single one of them, and hand them down to the military engineers who succeed you as a legacy of honor.” The Anglo-Americans’ desperate fear is that, despite all their efforts to extirpate this “legacy of honor” from Argentina’s Armed Forces, this powerful tradition will ultimately spark a continent-wide resistance that will be the usurers’ undoing.