

## Argentina: Default By Any Name . . . Will Be Biggest Ever

by Cynthia R. Rush

The looming collapse of Argentina's \$222 billion foreign debt would be that largest default in history, as *Moody's Investors Service* emphasized on Nov. 1. The government's long and terrible savaging of its own economy, *rather than declare sovereign bankruptcy*, has failed to avoid default; this trumpets to the world that Lyndon LaRouche's bankruptcy-reorganization policy must be adopted in place of International Monetary Fund (IMF) and similar "bailout" disasters. And it spotlights imprisoned Argentine military hero and LaRouche collaborator, Col. Mohammed Alí Seineldín, as the only national leader not discredited by Argentina's economic disasters and corruption of the past decade.

The "voluntary and amicable" swap of public debt, proposed by President Fernando de la Rúa and his "Rasputin," Finance Minister Domingo Cavallo, did not console the international financial community. "Looks like default, smells like default, must be default," BCP Securities senior analyst Walter Molando said in remarks to Bloomberg financial agency on Oct. 30. "Argentina Signals Default On Foreign-Held Debt," Bloomberg trumpeted in its Oct. 29 coverage. Standard and Poor's now rates Argentine debt SD—"Selective Default."

No one bought Cavallo's assurance that he was lining up guarantees for the deal of at least \$7 billion from multilateral lending agencies, including the IMF, the World Bank, and the Inter-American Development Bank. "Either he's lying to us, or he's thinking of a compulsory restructuring," one Argentine banker said to the daily *Página 12*. Nor could he get an agreement with the nation's governors, to force them to accept still further, directly life-threatening budget cuts, for no purpose.

In a Nov. 1 press conference, IMF spokesman Thomas Dawson said that additional funding for Argentina "is not in the cards," and even the \$3 billion credit already committed by the IMF depended on more devastating cuts from the governors. As for moving up a \$1.2 billion disbursement planned for December, Dawson's message was, "Forget it."

### Not An 'Argentine' Problem

Free-market lunatics such as the *Wall Street Journal* have insisted that Argentina's debt problems are of its own making—an "overregulated economy" and "excessive spending"—instead of a reflection of the crashing world financial system. Given the overwhelming exposure of foreign banks in Argentina, U.S. financial institutions in particular, it is delusional to think that the country's financial disintegration won't have dramatic repercussions on both the U.S. and world economy, or that there won't be more "implosions." Argentina accounts for almost 25% of all emerging-market bonds in world markets.

Look at Brazil. On Oct. 30, U.S. Treasury Secretary Paul O'Neill told the *Journal* emphatically that fear of an Argentine default would not hurt other Ibero-American markets. But on Oct. 29, it was only through a \$2.45 billion debt repayment from Poland—itsself close to bankruptcy—that Brazil held off currency collapse! Brazil's recent \$15 billion credit line extended by the IMF will not protect it from Argentine shockwaves.

Argentina's default is lawful, not because of a failure to fully impose free-market policies, but rather because, first under President Carlos Menem's 1989-99 regime, and then under the Alianza coalition government which took power

in December 1999, the government *did impose*, with total abandon, virtually every nation-wrecking dictate made to it by the international financial community. That's how it became the IMF's "success story" of the 1990s.

### Murder As Policy

Domingo Cavallo, a longtime tool of the Anglo-American financial oligarchy, was installed in March of this year, to oversee this death ritual, while attempting to maintain the myth that Argentina's debt was still performing. Not content with the devastation he had wrought in his first 1991-96 term as Finance Minister, Cavallo came up with the "zero deficit" program in July, to deliver the final blow to the economy. It was premised on "we'll only spend what we collect" in taxes; as the tax base shrank, it mandated deeper budget cuts in every sector across the board *except debt payments*, accelerating the ongoing collapse of production and living standards.

On Oct. 22, Lyndon LaRouche warned that, should Cavallo's policy continue, Argentina will indeed die. "The amount that Argentina is supposed to pay has already passed the point that people in Argentina can live. If you try to collect the debt that's imposed on Argentina, Argentina will die, physically die. That is, the amount of wealth being produced is not only being looted by so-called fiscal responsibility measures, but the amount of production, from which payments presumably will come to pay these financial charges, is being collapsed by the measures of fiscal austerity," LaRouche said.

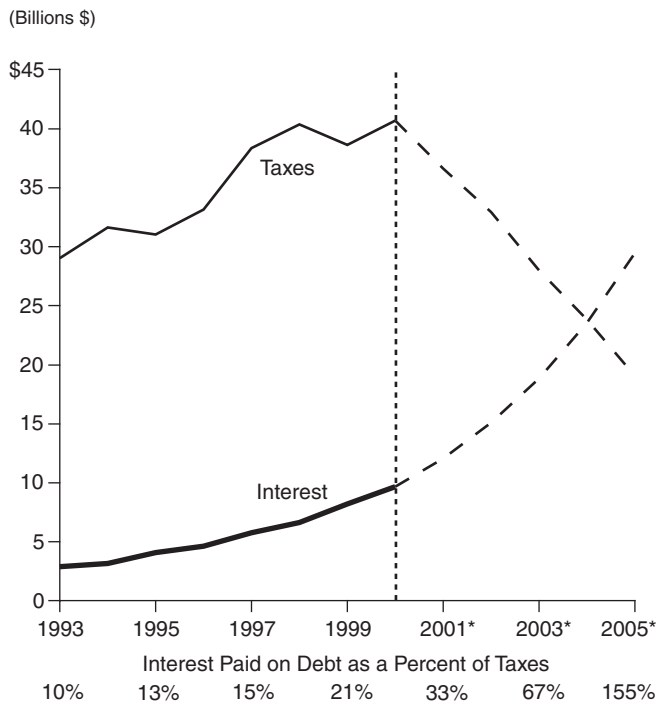
In its Sept. 14, 2001 issue, *EIR* projected this deadly policy, showing what would happen if collected taxes shrank at the rate of 10-15% per year, while interest payments zoomed by 25% per year (see **Figure 1**). This projection now has proven, if anything, to understate the rate of the downward spiral. *EIR* posed: "When the soaring interest payments demanded eventually are *greater* than the entire contracting tax base — when the parasite is bigger than the host — what then?"

Regardless, the IMF's deadly policy has continued. The killing is seen in the 18.7% national unemployment rate, up from 16% a year ago, which translates into 1,570 jobs lost every day. The government's statistical agency, Indec, released figures showing that, as of last May, half of Argentina's 9.2 million salaried workers were earning less than \$400 a month. Between October 2000 and May of this year, wages dropped an average of 2%, but among the poorest-paid workers, wages dropped by an average of 10.7%.

Forty percent of the population now officially lives below the poverty line, calculated to be a monthly wage of \$470 or less. This is an unprecedented figure for the nation which prided itself on being the "granary of the world," and never lacked food for its people. According to the FIDE economic think-tank, a family of four requires \$1,030 monthly to meet food, education, and health needs, hardly attainable at current wage levels.

In September, industrial sales dropped by 9.3%, com-

FIGURE 1  
**Argentina: Taxes Collected vs. Interest Paid On Public Debt**



\**EIR* projection.  
Sources: Ministry of Economics, Argentina; *EIR*.

pared to a year ago. Orders for virtually all manufacturing sectors that depend on the internal market dropped dramatically. Also in September, industrial production dropped by 7.4% compared to September a year ago. The Nov. 1 *Ambito Financiero* reported that for the year to date, the number of bankruptcies nationally is 15% higher than for the same period of 2000. "It's clear the economy is melting down," PNB Paribas official José Barrionuevo told Bloomberg on Nov. 1.

October's tax revenues dropped by 11.3%—less than September's 14% drop—but government officials admitted that the fall was "only" 11% because revenue from the tax on banking transactions compensated for a 20% fall in the Value Added Tax, a key measure of consumption.

These policies have bankrupted Argentina's provinces and once-vibrant regional economies, and explain why governors refuse to accept Cavallo's demand for cuts in the \$1.4 billion which the government is mandated by law to send provinces monthly. Even without an agreement, the Finance Minister has defiantly cut funds to the provinces this year, citing the drop in tax revenues.

The debt has gotten paid above all, until now, but it is this folly which is reaching its deadend. It is this theft that led

Gov. Angel Rozas of Chaco province to recently announce a partial default on two bond payments. A member of the Radical Civic Union (UCR), the party of President de la Rúa, Rozas said he made the decision because he had to pay salaries first, and asked creditors to please be patient. “Investors have to understand that I can’t fail to pay wages, or purchase medicine [for people], and also pay principal [on the debt].”

## The Protest Vote Wins

This reality explains why in the Oct. 14 mid-term elections, 41% of the electorate, an unprecedented 10.2 million voters, refused to participate. They either didn’t vote at all, risking a hefty fine, or they spoiled their ballots, to express their rage over the Alianza government’s genocidal policies.

Citizens preferred to “vote” by leaving their ballots blank, or stuffing the envelopes with pictures of Osama bin Laden, cartoon characters, food, or pornographic pictures — anything except the traditional parties or candidates. In some provinces, such as Santa Fé, the protest vote “won” with 40% of the vote, defeating the candidates of both the opposition Peronists and the ruling Alianza.

Those who did cast valid ballots, handed a significant victory to the Peronist, or Justicialista Party, strengthening their existing Senate majority, and increasing their numbers in the House, where they will now hold a plurality when Congress reconvenes on Dec. 10. This is the first time in Argentina’s history that the political opposition will dominate both houses of Congress.

But the big question now is, what will this opposition do? In the midst of the greatest existential crisis of Argentina’s history, there is a total vacuum of power. To date, no Peronist has come forward to propose a real alternative for Argentina, or offer hope to a demoralized and terrified people. Various governors and legislators, with an eye toward the 2003 Presidential elections, are jockeying for power, rather than providing real leadership, as the nation falls apart around them.

The Alianza government is crumbling. A sector of its radical wing, Frepaso, linked to the continental narco-terrorist umbrella group, the São Paulo Forum, has already left the government. Tension is running high inside the UCR, Frepaso’s partner in the ruling coalition, because of growing opposition to Cavallo. The government is even losing the support of Alianza governors, because of Cavallo’s crass attempts to bludgeon provinces into submission. Alianza Gov. Alfredo Avelin of San Juan, has called Cavallo “a faithful exponent of international usury . . . a modern Al Capone. He doesn’t care about the country, or its people. He wants to squeeze the provinces.” The only possible outcome of these policies, he warned, will be a “volcanic eruption.”

## Seineldín: The Man Of The Hour

LaRouche has said repeatedly that the leader capable of steering Argentina away from genocide is former Army Colo-

nel, Mohamed Alí Seineldín. The Malvinas War hero, who has endorsed LaRouche’s New Bretton Woods proposal, for a reorganization of the global, IMF-based financial system to restart production, has been locked up in jail for 11 years, a political prisoner of an Anglo-American oligarchy terrified that his nationalist principles and broad appeal, extending well beyond military circles, could rally Argentines around a program to rebuild the shattered nation.

Understanding the role that Seineldín could play both in Argentina and the region in this extraordinary crisis, Brazilian military nationalists have formed a committee to lead a campaign for Colonel Seineldín’s freedom, and whose “Manifesto For The Freedom Of Colonel Mohamed Alí Seineldín” was published in the October issue of *Ombro a Ombro*, the magazine of Brazil’s retired military. The Manifesto, which is circulating in Ibero-America and internationally, states that Seineldín’s freedom is “fundamental to the moral reemergence of the Argentine nation,” and could represent the “road to rebuilding the sovereignty” of both Brazil and Argentina, allowing the two to play a real leadership role in forging programmatic regional and continental unity (see statement below).

This initiative complements the activities of the LaRouche-affiliated Ibero-American Solidarity Movement (MSIA), which has brought together patriots from both nations in two regional conferences this year, one in Brazil and one in Argentina, with a third one planned for Campo Grande, Brazil, in November. The purpose of these gatherings, which are rapidly becoming an institution, is to address the regional crisis from the standpoint of the global financial crash, and discuss what role the Southern Cone, and all of Ibero-America, can play in LaRouche’s proposed Eurasian Land-Bridge development program and New Bretton Woods monetary system.

It is Cavallo, not Seineldín, who should be in jail — and he might well end up there, if current legal suits against him are allowed to proceed. On Oct. 10, a group of congressmen belonging to the Alternative for a Republic of Equals — Elisa Carrió, Mario Cafiero, Alfredo Bravo, and Graciela Ocaña — asked a federal court to include them as plaintiffs in the legal suit brought against Cavallo by former Peronist legislator Juan Labaké. That suit accuses Cavallo of “abuse of authority and malfeasance of public funds,” and states that a possible charge of “illicit association” is being investigated in the \$30 billion debt swap that the Finance Minister and his mentor, former U.S. Deputy Treasury Secretary David Mulford, now at Credit Suisse-First Boston, carried out in early June of this year.

The point, Congressman Mario Cafiero told *EIR*, is to “determine how Argentina ended up paying debt [service] that is more than 50% of its Gross Domestic Product, without this ever having meant any kind of investment in infrastructure or in services to Argentines.