IMF Shatters Argentina As Pieces Strike Brazil

by Cynthia R. Rush

Democratic Presidential pre-candidate Lyndon LaRouche warned Argentines as long ago as March 2001, that the Anglo-American financial oligarchy, acting through the International Monetary Fund, intended to annihilate Argentina as a nation-state; to shatter it economically, politically, and even territorially, and let the chaos resulting from their attempts to collect an unpayable debt, unleash havoc in Ibero-America and beyond. Incredible? It has happened. London and Washington will now stare at what—in their parlance—is a *bona fide* "failed state," destroyed by their own lunatic demands.

"Why is the crazy IMF sending these gravediggers down to Argentina?" LaRouche asked a June 13 gathering of businessmen in São Paulo, Brazil. "[They are] demanding conditions of Argentina, which are causing the disintegration of Argentina as a nation. Why are they doing that? To maintain the principle that any debt which is owed to New York bankers will be paid, if they have to sell the Argentine babies for hamburger to do it!"

A few decades ago, Argentina was one of Ibero-America's wealthiest nations, with high living standards, a skilled labor force, 99% literacy rate, and impressive scientific and technological infrastructure. Social mobility was similar to that of many European nations. Today, after 15 years of IMF dictates, reaching a particular vengefulness over the last six months, an astounding 51.4% of its population is classified as poor, according to the government's own Siempro agency. This collapse into immiseration dwarfs even that of Indonesia in the 1997-98 "Asian crisis." Since January of this year, poverty has increased at the rate of 762,000 a month, or 25,000 per day. In the first five months of this year, the cost of the basic monthly market basket increased by 35.7%. For the first quarter of this year, GDP dropped 16.3%, the biggest quarterly drop in the country's history.

"In the land of wheat and cows," it is now commonplace to see, as Agence France Presse reported on June 7, "armies of people in rags, of all ages, go through the streets of the capital each night, overturning the garbage in search of leftover bits of food." Whereas people once looked only for leftover food, in recent months they have begun to eat rats, mice, frogs and toads, according to a school director in a poor neighborhood. And, 60% of those reduced to scrounging the dumps for food and recyclables to sell, are former construction, textile, and restaurant workers who lost their jobs in the last five years. The country's unemployment rate is now 25%.

Anoop Singh, IMF Hatchetman

Any sane observer is horrified at the *extent* of the destruction of Argentina's physical economy, and the wrenching poverty and desperation of its people. Moreover, as an angry Argentine ambassador warned State Department officials at the Organization of American States (OAS) annual meeting in early June, "with your treatment of Argentina, you are playing Russian roulette with the Southern Cone. . . . If you let Argentina go under, every Latin American country will ask, what's the use of being a U.S. ally?"

But apparently seeking Argentina's complete obliteration, IMF Managing Director Horst Köhler on June 11 brought in Anoop Singh, former Deputy Director of the IMF's Asia Pacific Division, to head up the Western Hemisphere Division, replacing the retiring Argentine, Claudio Loser. Why Singh? In the "Asia crisis," Singh was known for making demands that toppled governments and ripped apart national economies (see article below). Köhler praised Singh as having "demonstrated strong operational and intellectual leadership in a variety of assignments."

Unlike previous Western Hemisphere Division chiefs, the

The Argentine financial collapse has completely immiserated and infuriated its population—to uphold New York bankers' debt, "if they have to sell Argentine babies for hamburger to do it!"

Oxford-educated Singh was deemed, by IMF Deputy Managing Director Anne Krueger, to possess sufficient brutality to deal with the very weak Argentine government of President Eduardo Duhalde. Singh's latest post had been Special Operations Director, with the authority to go over the heads of other "lenient" Fund officials and to be tougher with Argentina.

Now that he is Western Hemisphere chief, Singh, Krueger and Köhler form what the daily *Clarín* called a "very rigid bloc." It is ominous, too, *Clarín* said, that while Singh is Indian, "he studied at Oxford and thinks and acts like an Englishman."

In every action taken in recent weeks, the IMF has shown that its only intention is to accelerate Argentina's disintegration. With economic and social upheaval worsening daily, and against strong Congressional and provincial opposition, the Duhalde government went through tortuous deal-making and political maneuvering to comply with the three demands that the Fund had established as conditionalities for the start of formal negotiations for a new agreement: changing the bankruptcy law, overturning the economic subversion law, and signing bilateral austerity agreements with each province.

Yet once the demands had been met, albeit partially, Horst Köhler announced in a June 4 interview with Reuters, that the formal negotiations which the government so desperately sought could not begin, because Buenos Aires hadn't yet produced a "credible framework" for an economic program. Nor can there be talk of specific amounts of money that might be made available, he said. "It's always a mistake to talk about numbers before talking about policy." The Fund complained that of the three conditionalities, only the changes to the bankruptcy law had been done correctly. The Congress had incorporated articles from the Criminal Code into legislation overturning the economic subversion law, such that bankers charged with financial crimes could still be prosecuted. This would not show the proper friendly attitude toward investors, the IMF said. Moreover, the austerity agreements signed by provinces are only preliminary ones, and must now be made "definitive," requiring further negotiations.

Singh then, in a harshly worded, confidential memo to the IMF's board, demanded new conditionalities, warning that "we won't move forward" until there is "greater clarity on the policies Argentina will apply." Several IMF country directors opposed Singh, worried that stonewalling aid to Argentina would exacerbate a visibly growing Brazilian and regional crisis. But he imperiously demanded the government drop its plan to gradually ease up on the bank deposit freeze, and that it allow privatized utility companies to raise their rates.

Creating a 'Failed State'

When an IMF mission finally did arrive on June 13, led by Singh's underling, Englishman John Thornton—his nickname, appropriately, is "the undertaker"—it became clear almost immediately that the Fund had no intention of a quick agreement. By June 14, there were widespread rumors in Buenos Aires that the U.S. Treasury and State Department were backing an IMF strategy to delay for as long as possible, creating such instability and uncertainty, that Duhalde would be forced to call early Presidential elections. U.S. Ambassador James Walsh was forced to issue a statement June 15, denying that the Bush Administration backed any such strategy.

The government's anxiety for an agreement is driven by the fact that it must make debt payments on July 14 and July 17, to the IMF and the Inter-American Development Bank, totalling $1.7 billion. Until now, the government has dipped into rapidly dwindling reserves to pay multilateral lending agencies, like the IMF and World Bank. But on June 14, Finance Minister Roberto Lavagna said this would no longer be done, implying that the only other option would be to default. But now Lavagna is said to be lobbying for a short-term "emergency" agreement for at least $5 billion to meet payments to the IMF and IADB. This after IMF External Affairs Director Thomas Dawson told a June 19 press conference that Argentina hasn't yet produced the "sound macroeconomic framework" the Fund requires to make a broader agreement.

Thus it's no surprise that policymakers in Washington and Buenos Aires now debating categorizing Argentina as a "failed state," requiring a supranational protectorate, 19th-Century style. In its June 9 "Zona" supplement, *Clarín* reports that the proposal by MIT economists Rudiger Dornbusch and Ricardo Caballero, to send in a team of foreign experts to manage Argentina's finances, as just the tip of the iceberg of a much broader debate taking place over what to do with "unruly" Argentina.

IMF's Anoop Singh: Subversion in Asia

by Michael Billington

Anoop Singh, the International Monetary Fund's new potentate for Ibero-America, takes over a field of spreading economic crisis largely created by IMF policy, with clear intention to worsen it by murderous demands for more extreme austerity than that which has already been demanded and failed. Singh has a substantial dossier of subversion against both economies and governments in Asia, where he served as IMF Deputy Director for the Asia and Pacific from 1998 to 2002. In that period he played a decisive role in bringing down governments, and destroying national economies across Asia, including those of Thailand, Indonesia, the Philippines, and forcing South Korea to surrender sovereignty over its banking system. He is a malevolent enforcer of a dying system.

Anoop Singh

Singh was head of the IMF Mission to Thailand in 1997, at the time of the assault on the Thai currency, the baht, by George Soros and other hedge-fund speculators. Soros and his fellow thieves took out huge positions against the baht, starting in late 1996, forcing the government to defend the currency (and the economy) by buying forward positions which promised to sell dollars in the future at a fixed rate. Soros personally had more money to deploy in this assault than the entire quantity of baht in circulation, and intended to make far more, by forcing the devaluation of the baht.

But the government of Prime Minister Chavalit Yongchaiyudh fought back, imposing partial controls on sales of the national currency to foreigners (a policy Malaysia would later adopt in a more comprehensive way to defeat speculators). Soros could not get the baht he needed to continue the operation. The Thai government had already pledged its entire dollar reserves to defend the baht, but as long as Soros didn't know that, and was restrained by the sovereign currency controls, Thailand thought it could survive.

'Unscrupulous' and 'Shameful'

In stepped Anoop Singh, flexing IMF power and bellowing for "transparency." He insisted that Thailand must not only stop defending the baht, but reveal all its forward positions in the showdown it had been forced into against the gambling casino of globalization. Otherwise, Thailand would face the the IMF's full wrath, and ostracism.

The government finally revealed its positions to the IMF, in confidence. Within hours, the intelligence that Thailand had pledged its entire reserves was leaked to the hedge-fund pirates, who gleefully moved in for the kill.

When the government later argued against the 20%-plus interest rates imposed by the IMF, Singh responded (in the paraphrase of *The Nation*): "Interest rates can not be brought down because it goes against the theory." This "theory" destroyed the Thai economy, which remains wrecked today. Chavalit, whose government was brought down by the crisis, later referred to Singh as "unscrupulous," "irresponsible," and "shameful."

For his success in Thailand, Singh was promoted to IMF Deputy Director for Asia and the Pacific. His most important work was in Indonesia, where he helped bring down President Suharto in 1998, Suharto's successor, B.J. Habibie, and Habibie's successor, Abdurrahman Wahid—while far more billions of dollars were being drained out of the economy in debt service and flight capital than the IMF was bringing in in loans. More than 30 years of Indonesian development was largely destroyed.

In January 1998, President Suharto was forced to disgrace himself and his nation by stooping over to sign an IMF agreement while a beaming IMF General Manager Michel Camdessus stood above him. Only ten days before Suharto was forced to resign, in May 1998, Singh moderated a meeting at

IMF Headquarters in Washington on the Indonesia crisis. He and others laid out their "theory" of why "weak" Indonesian banks had to be closed. He blamed the crisis on the government's development policies, whereby "the authorities channeled funding to particular sectors of the economy as part of their economic development plans." The government's reduction of poverty over 30 years, for which it had been given UN awards, Singh denounced as "distortions."

As Indonesia's parliament prepared to choose a President in the Fall of 1999, Singh intervened to withhold the scheduled IMF loans, over a scandal involving funds from a private bank, Bank Bali. Singh told Indonesia that, even though it was a domestic matter, the IMF "could not just put this aside and move on with the program without fully resolving the issue."

An audit was ordered by the government, and was carried out by the PriceWaterhouse accounting firm. Government reservations about the validity of several aspects of the final report were scoffed at by Singh (this was long before the revelations concerning the common fraudulent practices of the world's leading accounting firms), who demanded that the entire report be made available to the press before any IMF funds would be released. The press proceeded to serve as judge and jury against the government, using the PriceWaterhouse report as gospel truth.

Then, in September 1999, IMF cut off all lending—citing a new reason, the East Timor violence—until a new government was installed. This came about in October 1999, with the election of President Wahid by the Parliament. Wahid made some halting efforts to lighten the oppression of the population, over one-third of whom had been thrown into poverty by the financial crisis. Anoop Singh soon intervened to put an end to any practices by Wahid that fell "outside the theory." Deficit spending, intoned Singh to the Consultative Group for Indonesia on April 23, 2001, "cannot be justified," since it would "weaken market confidence." He also crushed Wahid's plan to borrow funds for development through issuing bonds secured by Indonesia's vast oil reserves. Singh said this would "jeopardize the seniority of multilateral and official lenders" (i.e., the IMF).

During the years of Singh's control, Indonesia paid foreign debt service of $54 billion, not with dollars, but with rupiah which had been subjected to a three-fold devaluation by the speculative assault.

Singh denied a long-expected IMF loan in April 1999, just as a faction in the Parliament was moving to censure President Wahid. Singh visited again in July of that year, and again refused to release the promised funds. This time, the Parliament impeached Wahid. Even the IMF-friendly International Crisis Group acknowledged that the IMF actions had contributed to Wahid's fall, writing that "the IMF is aware of these views, and knows it is also suspected of helping to bring down Presidents Suharto and Habibie by cutting off loans at key moments."