Argentina Crisis Now Hits IMF, World Bank

by Cynthia R. Rush

After almost a year of torturous negotiations with the International Monetary Fund, during which it has largely complied with Fund austerity demands, the Argentine government of President Eduardo Duhalde has finally put its foot down. Between Nov. 14 and Dec. 15, it has defaulted on two debt payments to the World Bank—$805 million and $980 million—and warned that it will make no more payments to multilateral institutions, until the IMF signs a "reasonable agreement" to roll over the $16 billion that comes due between now and the end of 2003. "Just as the Monetary Fund has no timetable for signing an agreement, Argentina has no dates or timetable set for its debt payments," Finance Minister Roberto Lavagna said Dec. 12. It cannot afford to dip into its $10 billion in reserves to make payments, without risking further financial instability.

Lavagna rejected alarmist warnings that the World Bank's cutoff of $2 billion in loans, resulting from the government's decision not to pay $980 million on Dec. 15, would seriously damage social, health and public works programs. The $2 billion was to have been disbursed over a five-year period, he said, and the Finance Ministry is already working on alternative means to keep funding these programs.

There is enormous anger in the government over the IMF's humiliating treatment of Argentina, its assertions that the country's financial meltdown is "its own fault," and demands that it impose more murderous austerity, to prove its creditworthiness. After IMF Managing Director Horst Köhler said Dec. 12 "to blame the IMF for what happened, and is happening, in Argentina, is totally unacceptable," Chief of Cabinet Alfredo Atanasof shot back, "We're not saying the blame for what's wrong should be pinned on the Fund; what we are saying is the bureaucracy of the Fund has promoted the policies that put us in this situation. No one can ignore that."

Foreign Minister Carlos Ruckauf put it more bluntly. Speaking on the "Arco Iris" cable TV program on Dec. 12, he called the IMF "a tumor" which "wants to make an example of Argentina" for having declared a debt moratorium in December 2001, while it continues "kicking around" other Ibero-American nations. "The IMF should be dissolved," he demanded. "A new, much smaller and more efficient entity should be created—one that is anti-cyclical; that is, where there is a recession, it shouldn't deepen it."

He took direct aim at IMF Deputy Managing Director Anne Krueger, who has been totally intransigent on Argentina. "Doesn't Krueger say that countries have to bankrupted? Then, I have the same right to say that the IMF should be dissolved!"

Go with LaRouche's New Bretton Woods

Ruckauf's proposal is a fine idea, but will mean little if it remains at the level of rhetoric. As 2004 U.S. Democratic Presidential pre-candidate Lyndon LaRouche has repeatedly stated, Argentina *cannot* pay its $220 billion debt, nor should it. Rather than delude itself that it "needs" the IMF, LaRouche advises, Argentina should recognize that the IMF and its sister organizations are thoroughly bankrupt—they could be brought down by Argentine and Brazilian defaults—and join the international movement for a New Bretton Woods.

While Duhalde and Lavagna have said they will, nonetheless, continue negotiating, there are signs that some people, in government and out, are studying options other than the IMF trap.

The "Malaysia model" is one such option. At the invitation of the Argentine Business Association, a team of leading Malaysian economists travelled to Argentina in early December, to explain how that country, under the leadership of Prime Minister Mahathir bin Mohamad, defied the IMF and applied protectionist measures to defend itself from the speculative attacks of 1997-98, led by drug legalizer George Soros. The team was expected to meet with Finance Minister Lavagna and other economists and business leaders.

Peronist leader Juan Labaké reported in an August, 2002 article, that Malaysia's ambassador to Argentina, Mr. Mariappan Santhanaban, told him that what allowed Malaysia to be successful in 1997-98, was not just a series of technical measures—rather, "the decision to fight, even it it were 'against the whole world.' " Were Argentines to rediscover their ability to think indepdently, they could also replicate Malaysia's success, said the Ambassador.

Argentina's relationship with Italy, whose Chamber of Deputies passed the historic resolution on Sept. 25 calling for adoption of LaRouche's New Bretton Woods, and harshly criticized the IMF "solution" for Argentina, is also a source of hope. There have been frequent contacts at the government level, and on Dec. 11, a delegation of Italian parliamentarians visited the country, to "study" the situation, and offer its support. The delegation's leader, Gustavo Selva, publicly charged that the IMF "has responsibility in this crisis, and should be reformed, not only because of how it handled the Argentine case, but other crises as well."

The delegation also met with Lavagna, and with Foreign Minister Ruckauf, who told them that the government's strategy is to strengthen ties between the Common Market of the South (Mercosur), and the European Union, and that this has a greater priority than an "automatic alignment" with the United States, as has been the case over the past decade.