Argentina: Center of Global Economic Battle

by Cynthia R. Rush

Argentina is once again in the center of the strategic battle for the continued survival of sovereign nation-states. As the dollar's downward spiral accelerates along with the disintegration of the global monetary system, London and Wall Street-based financial oligarchs fear that President Néstor Kirchner's resistance to the insane demands of the International Monetary Fund (IMF) and its vulture fund allies, could inspire other debtors to act similarly and bring down the whole rotten mess.

Kirchner has waged a principled, albeit rearguard battle against the IMF and the Anglo-American financial mafia, refusing to allow a repeat of the looting of the country which these interests carried out so savagely in the decade of the 1990s. Exemplary was his response to threats made Nov. 17 by Jack Boorman, an adviser to IMF Managing Director Rodrigo Rato, who told a London conference of the Institute for International Finance (IIF) that the Fund should cease lending to Argentina, unless it bends to the speculative vulture funds' usurious terms on the restructuring of $82 billion in defaulted debt.

The Fund "should stop lecturing us," Kirchner said from the province of San Juan Nov. 28. "We've seen what their help does here in Argentina; we saw how [they] backed projects and bad governments that led to Argentina's destruction" in the 1990s. Speaking Nov. 27 from the city of Trelew in the province of Chubut, Kirchner affirmed that "what happened here in the past decade will not happen again—when our Argentina was filled with poor and indigent unemployed, our national businesses bankrupted, and all our great banners of national development [trampled] on the ground."

The government is fighting on the issue of the country's foreign debt, and wants to come to a reasonable agreement on the restructuring, he said. But it will not accept the conditionalities or the terms that some demand, he warned. "Argentina will no longer crawl—we will make an agreement, but defending the country's interests as we should." The nation will "never again accept impositions or models that have nothing to do" with national interests.

Just prior to his Chubut trip, Kirchner underscored that point by authorizing an extra 200 peso (about $70) pension bonus for 3.3 million retirees, to be added on to their regular pension payment, plus a half-year bonus in December. Another 2 million recipients of family subsidies for the poor and unemployed will receive an additional 75-peso payment at the same time. In addition, the government announced a 50% increase, retroactive to Oct. 1, in the subsidy granted to families for each child, including prenatal care and grants for disabled children.

Not exactly what the vulture funds ordered!

Predators' Thuggery

In an hysterical Nov. 24 editorial, London's *Financial Times* demanded immediate reprisals against Kirchner for refusing to submit to the City of London interests for which that daily speaks. "Argentina's behavior is setting dangerous precedents for future default situations," it shrieked. The government's "tough" stance has "succeeded in showing the world that sovereign borrowers are far from powerless in their dealings with private creditors." Such an attitude "is unacceptable," the *Financial Times* fumed.

The editorial argued that the IMF should cease lending to Argentina, even were that to cause the country to default again. "So be it," the daily stated. "The Fund's credibility is at stake, and the U.S. Treasury must this time stand behind it." Other emerging markets must not be swayed by Argentina. They must know that playing "by the rules" won't put them at a disadvantage "compared with the likes of Argentina."

It is the vultures' desperation over Argentina's refusal to "crawl," that was behind the crude mid-November disruption of the government's debt restructuring program. On Nov. 19, citing "technical reasons," the Bank of New York suddenly withdrew as the government's agent in charge of managing the U.S. side of the program's complicated bond swap that was scheduled to officially begin ten days later, on Nov. 29.

At the same time, Italy's securities commission, the Milan-based Consob, also announced a delay in launching the swap in that country, until at least mid-December. Without a U.S. agent, Argentina's timetable was in disarray. It had expected to complete the debt restructuring process by early January, and then restart stalled negotiations with the IMF for a new agreement shortly thereafter. Attempting to coordinate the swap from Buenos Aires alone was deemed untenable.

The launching of the restructuring plan has now been moved back to Jan. 17, 2005 and negotiations with the Fund are thus delayed until at least March. The previous agreement with the IMF included provisions for it to reimburse Argentina for every payment made. Because that agreement had been suspended last August, all payments have come out of Central Bank reserves without reimbursement. The government has almost $2 billion coming due to the Fund in the first quarter of 2005.

The message in the bankers' sabotage of the restructuring is that unless the Argentines offer more money to foreign bondholders—much more than the 70% writedown the restructuring plan currently allows—the country will forever remain a pariah, never permitted back into the good graces of the world financial community, bereft of credit and investment.

Retructuring Offer 'Unalterable'

Somehow the threat of not being allowed to embrace a corpse didn't seem to daunt President Kirchner or Finance Minister Roberto Lavagna. Noting that the Bank of New York pullout had nothing to do with "technical reasons," both men identified the vulture funds and their frontmen, including the IMF and governments of the Group of Seven industrialized nations, as the leading figures in this attempt to break Argentina's resistance to usury.

On Nov. 20, Lavagna warned that those who reject Argentina's debt restructuring "could find themselves in a default situation, perhaps indefinitely." He then pointed to specific individuals he said were behind the crass move. He named Charles Dallara, President of the Institute for International Finance, the bankers' cartel which has been bludgeoning Argentina for months to stop "cheating" them out of larger debt repayments; Citigroup's William Rhodes, who is also an Institute for International Finance Vice Chairman; and the International Monetary Fund's former Managing Director Jacques Delarosière, now associated with the Banque de France.

Kirchner went further. On Nov. 26, speaking from Puerto Madryn in Chubut, he accused Italian Prime Minister Silvio Berlusconi and that nation's banks of acting openly against Argentina's restructuring efforts. "Compare the Italian government's attitude on the debt restructuring with ours," Kirchner said, "when we opened our hearts and arms to the Italians during [that country's] darkest hours. It pains us, and we expect it to rectify its attitude." As for the Italian banks, they knew that Argentina's debt bonds were "insolvent," but went ahead and sold them anyway to the "beloved Italian retirees, cheating them. They should take responsibility for what they have done."

It didn't escape the attention of the Italian government that some days prior to these remarks, Berlusconi's opponent, former Prime Minister Massimo D'Alema, had been warmly welcomed in Argentina. D'Alema publicly concurred with Kirchner that the Italian banks were the principal culprits on the Italian side of the crisis. The impact of Kirchner's remarks was such that Italy's Ambassador in Buenos Aires, Roberto Nigido, rushed in to meet with Foreign Minister Rafael Bielsa on Nov. 27 to express his "surprise and bitterness" over what the President had said.

If Nigido were expecting an apology, he didn't get it. Instead, Bielsa elaborated on the President's charges, presenting evidence ofn how the Italian government had interfered with planned meetings between Argentine and Italian legislators scheduled for November. One of these meetings was reportedly to have backed a bill in the Italian Parliament which, for the first time, would have introduced the concept of "co-responsibility of Italian banks" as well as some mechanism of compensating pensioners and other small investors who lost money as a result of Argentina's default.

In a message to those G-7 leaders who have tried to bludgeon Argentina into obedience, Kirchner again spoke on the issue of debt restructuring to an audience in San Juan on Nov. 29: "Let's be clear about our options, and there aren't many. There's the option of applying methodologies of the past, and condemning millions of Argentines to exclusion; or there's the option of negotiating with dignity and firmness to continue turning around our country's reality . . . In this case, your President, who is speaking to you, chooses the option of negotiating with dignity, with firmness, but *first* comes Argentina. *First* comes Argentina!"

"We shall move forward in restructuring the debt," Kirchner said, "give or take a day, with more time, less time. The offer we made is absolutely unchangeable. *That* is the offer, with *that* writedown, and let it be absolutely clear—with whatever obstacles they place in our way, it will not be altered."

There Must Be an End to Usury

In the midst of the relentless assault on its right to exist as a nation, Argentina received extraordinary support from the Vatican's Justice and Peace Commission, whose president, Cardinal Renato Martino, intervened on its behalf during a Nov. 24-25 visit to the country.

In a Nov. 24 press release, as well as in a public conference and a speech to the Buenos Aires Legislature, Cardinal Martino expounded on his Commission's just released "Compendium on the Social Doctrine of the Church," which equates morality with economic development. He noted that in his Commission's 1986 document, "At the Service of the Human Community: An Ethical Consideration of the International Debt," it "was affirmed that the bulk of the debt seriously hurt the economies and living standards of developing countries."

Certainly, he said, "there are differences among particular local situations; but the words of Pope John Paul II in the encyclical *Centessimus Annus* must be taken into account: We cannot demand that debt be paid through intolerable sacrifice." He also noted that "the principle of co-responsibility of the institutions involved in various attempts to restructure the amount of the debt," cannot be ignored.

In an incisive reference to Argentina, the Cardinal warned that "looking to the future, it would be healthy to apply the Catholic doctrine against usury, which takes on special relevance and timeliness, to the degree that it confirms the consequences of a predominantly financier-based economy. *At some point,"* he said, *"the debtor must cease to be a debtor"* (emphasis added).