

## SUMMIT OF THE AMERICAS

# Leaders Dump Free Trade, Talk Of Changing Economic System

by Gretchen Small

Plans for a hemispheric free-trade accord died at the fourth Summit of the Americas in Argentina Nov. 4-5, buried by the refusal of the Mercosur nations (Argentina, Brazil, Paraguay, and Uruguay), plus Venezuela, to bow before the free-trade policy which is killing *all* of the nations of the Americas—the United States included.

The standoff resulting from the refusal of those nations—representing 75% of the economy of South America—to set a date for restarting failed negotiations on a Free Trade Area of the Americas (FTAA) produced what Lyndon LaRouche, the champion of anti-free-trade American System economics, called a “fascinating impasse, an excellent indecision.” The American nations stood up and said “no,” and no one said “no” to their “no,” LaRouche commented.

A final declaration from the summit was cobbled together, but only after the heads of state finally agreed, in a nine-hour ad hoc meeting after the summit had officially concluded, to issue a statement stating both conflicting positions: those for locking in FTAA negotiations, and those arguing that conditions do not now exist for those negotiations to begin.

The failure to agree among the nations of the Americas sent a stunning message around the world: The post-Cheney era has begun. Making sure people understood the strategic context in which they were taking such decisions, members of the LaRouche Youth Movement in Argentina ensured that everyone who came through the summit’s international press center—journalists and dignitaries alike—received copies of LaRouche’s most recent call for Cheney to “Get Out!”

### **Kirchner, Bush, and the IMF**

Argentine President Néstor Kirchner opened the summit itself with a speech which, Chilean President Ricardo Lagos

commented afterwards, said “what many were thinking but didn’t dare say.” After declaring that the “neo-liberal” policies of free-market rule and the shrinking state are responsible for creating mass misery, unemployment, poverty, and the collapse of governments across the Americas, Kirchner called for a change in the international financial system:

“There is today a clear international consensus regarding the need to reform and modernize those agencies that emerged from Bretton Woods,” he said. The International Monetary Fund and World Bank must play the role for which they were originally created, that of helping countries grow, and stop being “the agent of private interests.”

Kirchner, who in October elections won a strengthened mandate from the Argentine people for his policy of standing up to the IMF, made clear that he is prepared to shake the very foundations of the IMF, to defend his people. The IMF lent a bankrupt Argentina \$9 billion in loans before the 2001 default, knowing full well that default was inevitable, but now that Argentina is rebuilding its economy, the IMF refuses to help, Kirchner pointed out. Kirchner issued a none-too-subtle threat: Should the IMF continue to insist that before it rolls over those bad loans, Argentina reimpose the very conditionalities which led to its collapse, then Argentina simply won’t repay the IMF. According to press accounts, Kirchner told President George Bush in their private discussion that Argentina might leave the IMF altogether, in that case.

An Argentine default on the \$9 billion the IMF lent in the run-up to the 2001 collapse, could drive the IMF itself into bankruptcy.

While Bush and Kirchner said their discussions when the two men met alone were “candid”—a diplomatic way of saying they had their differences—and sharp disagreements were

## Bush in Argentina

*In his comments during a joint press conference with Argentine President Néstor Kirchner on Nov. 4, President George W. Bush included the following statements:*

This is my first trip to Argentina. I hope it is not my last trip. However, this is not our first meeting; this is our third meeting. And every time we have met, I have come away impressed by your candor, your passion for the people of this beautiful land.

And as we discussed the first time we met till now, the economy has changed in quite dramatic fashions, thanks to the wise decisions you have made. And so, congratulations for dealing with a difficult circumstance, and making decisions that have improved the lives of your people.

Needless to say, the President was quite firm in his belief that the IMF ought to have a different attitude toward Argentina. He has been an outspoken person for reform. I listened very carefully to his point of view.

I was pleased that the United States was helpful during the early part of his term with the IMF. And I suggested that his record is such now that he can take his case to the IMF with a much stronger hand.

And so I appreciated the conversation there. And I appreciate your candor.

reported during the general talks, in his press conference after meeting with Kirchner, President Bush expressly praised the one President in the Americas who has stood up to the IMF in the past decade. Praising Kirchner's "passion" for his people, Bush stated: Argentina's "economy has changed in quite dramatic fashion thanks to the wise decisions you have made. And so congratulations for dealing with a difficult circumstance, and making decisions that have improved the lives of your people." (See box.)

One of Brazil's leading dailies, *Folha de São Paulo*, immediately took note of Bush's surprising comment, headlining its coverage, "Bush Praises Argentine President's Attitude in the Face of the IMF." That's quite a message for Brazil, the largest debtor in the region, which, despite having greater economic strength than Argentina, has yet stand up to the IMF to defend its people, as Kirchner has.

### U.S. Must Help Change System

Much attention was given in the press to Venezuelan President Hugo Chávez' grandstanding at the "counter-summit" demonstrations he led in the streets, but few reported Bush's

praise for Kirchner, nor the content of Kirchner's forceful address to his fellow heads of state. Argentina—whose financial system, government, and living standards imploded in December 2001, when the country defaulted on its foreign debt—stands as "tragic proof" that the policies of the 1990s do not work, he said. This is not an ideological question; "the events themselves show that the market alone does not reduce the level of poverty."

The IMF, other international bodies, and the United States, which imposed these policies, must accept their share of responsibility for the results, he said.

Kirchner pressed for policies which focussed on growing the economies, so jobs can be created. "We must ensure that the *state* moves in where the market flees and abandons. Without effectively dealing with poverty and exclusion and providing employment, there will be no well-being. The lack of well-being among our populations is the root of greater instability. Governability will be at risk should we not create employment," he said.

The Presidents of the region must begin to speak up. He called upon the United States, in particular, as the world's leading power, to exercise "responsible leadership" in the hemisphere, and reject policies that cause "misery, poverty, and democratic instability."

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## Documentation

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### Argentina's Kirchner: Our Priority Is Development

*This is Argentine President Néstor Kirchner's speech at the Opening Session of the IV Summit of the Americas, Nov. 4, Mar del Plata, Argentina. It was translated by EIR and sub-heads have been added.*

Distinguished Messrs. Presidents and their wives; Messrs. Vice Presidents, and special envoys; Messrs. representatives of international agencies; national, provincial and municipal authorities, ladies and gentlemen:

We extend to you our warmest welcome to this beautiful city of Mar del Plata, in the hope that these working sessions may bear fruit in the taking of one more step along the road of the Summit of the Americas process.

If there is one central issue on the agenda of this collective building process, which seeks to review the history of the last decade in the Americas, to produce results that will foster the well-being of our people, it must be the theme of this IV Summit, in which the Presidents and representatives of these several countries must stop speaking softly and raise their voices to arrive at the points of agreement and resolution our

hemisphere needs. The creation of employment to deal with poverty and strengthen democratic governability, confronts us with the central problem faced by our developing nations. We must build a consensus on the importance of preserving and strengthening the community of democracies as related to the conviction of fiercely defending full human rights, maintaining peace and fighting international crime, drug-trafficking and money-laundering.

Achieving a consensus on the fight against terrorism deserves special mention. Argentina considers all acts of terrorism to be criminal and unjustifiable. There is no racial, religious, ideological or any other reason that justifies the killing of innocent civilians. We Argentines have a deep sense of solidarity with the world's victims of terrorism and with their families. We were victims in the cases of the Israeli Embassy (1992) and the AMIA (Jewish Social Welfare Agency bombing 1994) and we are committed to permanently assisting in the search for the truth and the fight against terrorism.

## War on Poverty

We must build consensus to end atavistic poverty, defeat indigence and exclusion, prevent the widening of the social gap, destruction of the environment, recurring crises; the need to defend education as a decisive factor for individual and social progress, facilitate access to knowledge, promote economic growth with fairness, create jobs to deal with poverty and strengthen democratic governability.

The subject which brings us together here forces us to acknowledge the need for, and presence of, new paradigms. The creation of decent employment, and how to do that in the best and most efficient manner, is at the heart of the debate over how to best achieve sustainable development to guarantee the well-being of our populations, linked to the attributes of freedom, justice, security and protection. Job creation isn't just a fundamental vehicle for achieving social integration, but can become the real key to ensuring governability.

In seeking consensus to advance in the design of the new policies the situation demands, we cannot omit the discussion on whether those [policies] should reflect a single prescription claiming to be universal and valid for all time, all countries and all places. The narrow view put forward by what came to be known as the "Washington Consensus," today offers empirical evidence of the failure of these theories. Our continent in general, and our country in particular, offers tragic proof of the failure of the "trickle-down" theory.

Naturally, criticism of that model doesn't mean we don't accept responsibility on the local level—the responsibility of Argentine leaders. As a country, we take responsibility for having adopted these policies; but we demand that those international agencies, which by imposing them contributed, encouraged and favored the growth of that debt, also accept their portion of the responsibility.

The devastating consequences which structural adjustment policies and foreign indebtedness signify for the full exercise of human rights—of economic, social and cultural

rights in particular—are felt and tragically define the map of Latin American instability. This is not a matter of ideology—not even of politics—but of facts and results.

The facts indicate that the market alone can't reduce poverty levels. The facts also prove that one percentage point of a country's growth, where great inequality exists, reduces poverty to a far lesser extent than one where income distribution is more equitable.

The results of the policies we criticize are reflected in the Argentine crisis of 2001 and in the fall of various democratic governments in the region, some of them still suffering from a worrisome institutional instability. It is, therefore, our regional experience and not the theories of the multilateral organizations' bureaucracies, which proves the advisability of letting each country choose the best route to development with social inclusion, within a framework of rationality. The rationality of which we speak should then be verified in economically and socially quantifiable results.

## A New Development Strategy

A new development strategy must be aimed at obtaining resources that derive from the daily effort and labor of our citizens. We must create, produce, export goods and services, scientific and technological innovation and cultural creations.

From the blind and exclusive faith in the market and the recommended or imposed goal of reducing or minimizing the role of governments, eliminating the State and ultimately degrading politics, we must move to a new strategy of developing sustainable growth, with fairness, institutional quality, and the exercise of citizen representation, control and participation.

Equality is essential. It promotes growth and efficiency through political and social sustainability, allowing for a better use of human resources which translates into economic viability. The creation of dignified employment is fundamental to achieving equality.

In our country, through a shared effort, but without any help from the International Monetary Fund, we have made important progress in this fight for equality—reducing our debt with multilateral agencies in net terms by more than \$14.9 billion and successfully restructuring our debt, thus emerging from default.

During my term in office, poverty has declined from 57.5% to 37.7%; 5.6 million people have emerged from poverty and 5.3 million are no longer indigent. Between the first half of 2003 and the first half of 2005, 33.5% of households classified as poor ceased to be so. That's one out of every two.

The percentage of the population living in conditions of indigence dropped from 27.5% to 12.6%; between June of 2003 and August of 2005, the general wage level grew by 28.74%, to 16.49% above the growth of the basic monthly market basket. . . .

The unemployment rate dropped such that 32% of the unemployed and 20% of the underemployed left that category. The numbers have improved to such a degree that in



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*Presidents Bush and Kirchner on Nov. 4 in Mar del Plata, Argentina. Bush's praise for Kirchner's stand in defiance of the IMF drew the surprised attention of the regional press. Kirchner also reportedly told the American President privately that if the IMF insists on imposing austerity conditionalities, Argentina might leave it altogether.*

the most recent monthly calculation, unemployment stands at 10.3% after having been at 24%. Real employment has increased, allowing welfare unemployment programs to decline. . . . Jobs providing social security coverage [on the books—ed.] have increased more rapidly than the employment level. . . .

For the first time in years, inequality has declined to the degree that the highest income quintile dropped in favor of the lower income quintiles, by 2.1%. I repeat, that with enormous effort Argentina is again on the road to development and has achieved an important and sustained growth of its economy. At the same time, as we've seen, it has significantly reduced rates of unemployment, poverty and indigence.

### Argentina's Achievement

After the crisis, the indicators demonstrate sustained economic growth, a surplus in fiscal and external accounts for the third year in a row, as well as a healthy growth of foreign reserves. Argentina grew by 8.8% in 2003; by 9% in 2004 and in the first half of 2005, exceeded 9%.

Our consolidated primary surplus stands at 5% of Gross Domestic Product (GDP), and our reserves have grown from less than \$10 billion to more than \$26 billion. Exports have a real possibility of reaching \$40 billion this year, with an estimated 15% increase that is producing steady growth of the trade surplus. Since coming out of default, Argentina offers a solid opportunity for productive investment. Enrollment at the primary school level and the number of students beginning first grade stands above 91.5% and 86.9% respectively. The illiterate population is under 3%, and the literacy rate for women is at 97.4%.

The relaunching of technical education and greater invest-

ment in education, which grew from 2% of GDP to 4%—our goal is to get it to 6% before 2010—together with the debate on a new educational model, offers us real possibilities of building a better future.

The infant mortality rate has dropped significantly, going from 16.8 per thousand to the current 12 per thousand. With strong investment in public health, housing and infrastructure, we can improve that even more.

In these numbers there is no magic or miracles. They represent an enormous effort. We consider that this improvement contributes to the stability of South America. It is the result of having built on the pillars of work, production, consumption and export in the framework of healthy macroeconomic equilibrium. Unfortunately, in this process of recovery, expansion and transformation, we had no help from the International Monetary Fund, which *did* support and finance in the order of \$9 billion, the regime of convertibility [one-to-one dollar/peso parity—ed.], fiscal deficit and indebtedness, until just weeks before the [2001] collapse. Interestingly, that figure is just about equivalent to the total debt my country owes that institution.

### Perverse IMF Policy

In summary: in an exercise which, without exaggeration, can be called perverse, [the IMF] provided a continuous flow of funds not only to those who didn't pay, but who kept spending and maintaining a chronic fiscal deficit. What is denied Argentina today aren't funds or new loans, which we haven't asked for, and which we obviously don't intend to do. It's something much worse. We are being denied refinancing unless we accept specific conditionalities which are none other than the same policies that led us to default!

For the Argentina which was speeding toward the abyss, there was help and fresh funds. But for the Argentina which alone and with great effort is recovering, there is no refinancing. This is a situation about which [Colombian writer Gabriel] García Márquez could no doubt write a few paragraphs of his “magical realism.”

As if this weren't enough, as in so many other developing nations, we continue to be affected both by this archaic view of the debt, as well as by an unjust system of international trade. In the latter, the developed nations' subsidies and protective tariffs continue to prevent us from growing fully using our own resources. It's as if they intended the ten plagues of Egypt to wipe us out.

At this point, I have to warn that in analyzing the world trade system, with its agricultural subsidies and tariff barriers, we have to take into account the asymmetries and different levels of development. Equality is a valuable and necessary concept, but only applicable to those who are equal. Equal treatment for different countries, equal treatment among the powerful and weak nations, equal treatment among highly-developed economies and emerging economies is not only a lie. It turns out to be a mortal trap—a trap that first captures and then hurts the weakest, but then later, in one way or another, ends up also affecting the most powerful.

There is today a clear international consensus regarding the need to reform and modernize those agencies that emerged from Bretton Woods, as well as to introduce improvements in the functioning of the financial system for a globalized economy. This is not capriciousness. It is simply accepting the new world reality.

Regrettably, in terms of the specifics of reform, the discussion appears to have focussed more on the issue of representation and voting rights rather than on matters of substance.

The view of officials towards emerging countries appears to be directed primarily at only improving the early warning system regarding crises, evaluating how to resolve them and finding the financing to prevent them. It is our wish that the International Monetary Fund and the World Bank carry out the counter-cyclical role for which they were created, avoid the system of contradictory conditionalities, increase the degree of transparency of their operations, reduce the costs of their operations and improve their lending capacity.

It's not bad for them to actively cooperate with the private financial sector or other sectors of the economy, but they must studiously avoid being held hostage to, or agents of, private interests.

Were these matters to be approached correctly, the discussion on representation would make sense. Otherwise, the attempt at supposed reinvention will require greater effort than the benefits it generates.

In terms of the financial system as a whole, there should be greater justice in dealing with the foreign debt, instead of feigning fair treatment for those in different situations. [This means] privileging savings above speculation, and depositor

participation above the operatives of large conglomerates, who often possess privileged information.

It demands privileging retail investors, the original creditors of the debt issued, those of the pre-crisis era. In any case, we cannot reward those who became creditors in the post-crisis phase [e.g., vulture funds—ed.].

We've said that we don't recommend that anyone “default” on their debt if they can avoid it. We now state that we intend to meet our obligations to those who participated in our process of [debt] restructuring whom we consider today to be our priority for payment.

The International Monetary Fund can't demand conditionalities which are self-contradictory and opposed to our potential for growth, or demand the repayment of funds which at the height of our crisis [2001-02—ed.] financed a program condemned to immediate failure.

Our ability to pay must be measured on the basis of commitments contracted in the restructuring of our debt, and of our ability to grow. Were we to [negatively] affect our growth, we would affect our ability to pay, and in that we shall respect our priorities and take recourse to those remedies which the system makes available.

We hope that the International Monetary Fund will know how to listen and, above all, understand. It's a matter of negotiating with sincerity and in good faith.

For the development we seek, our membership in the Mercosur [Common Market of the South] as the regional market for same, and in the nascent South American Community, is primary. We have assumed extraordinary commitments that we shall only be in conditions to face with reasonable possibilities of success, through the coordination of our positions and actions.

## **Integration for Mutual Benefit**

That is why we continue to think that not just any kind of integration will be of use to us. Simply signing an agreement doesn't provide the easy or direct route to prosperity. A plausible integration is one that recognizes diversity and allows for mutual benefit. An agreement can't lead to prosperity if it's only a one-way street. An agreement can't be the result of imposition based on relative positions of strength. On the contrary, as demonstrated elsewhere—look at the example of the European Union—trade integration agreements must consider safeguards and compensation for those who suffer relative backwardness, so that the agreement doesn't reinforce their backwardness. This is not only an acceptable structure, but the only fundamentally viable one.

Integration will be possible to the degree that it addresses those existing asymmetries and if the negotiations satisfy the fundamental interests of each country, particularly as regards unfettered access to markets.

The problem of development of emerging economies, in the framework of fairness, cannot be approached from the standpoint of the developed nations, as if this were a matter

of showing beneficence to those who have less.

As far as our continent is concerned, as I told the President of the United States today, I continue to believe that for reasons of its leadership in the region, the United States has an unavoidable and inescapable responsibility to help establish the definitive and final position on this framework of asymmetries which has brought so much instability to the region.

I believe that its role as the world's only superpower is inescapable. This is not a value judgment, but reality. We believe that the responsible exercise of that leadership must necessarily conclude that the policies that were applied not only provoked misery and poverty—in sum, a great social tragedy. They also added regional institutional instability which led to the fall of democratically elected governments in the midst of violent popular reactions, an instability still affecting our brother nations.

Worse, we can't ignore the facts that show a growing and worrisome disaffection for the democratic system among the inhabitants of different parts of our region, as a result of the lack of a dignified quality of life. So, on this road we have arrived at a paradox: in the name of democracy we have less democracy.

The more developed countries must associate themselves with the sustainable growth strategies of the less developed countries, in the understanding that it is in their interest to help the world become more stable, secure and peaceful.

My country considers democracy to be a universal value, which is not the patrimony of any country or region. My government directs its efforts toward improving its quality, strengthening the rule of law and ensuring the impartiality and independence of the judiciary, as well as enforcing international treaties in the area of human rights which are part of our constitution.

## Role of the State

We know that the market organizes economically, but fails to articulate in social terms. We must ensure that the State moves in where the market abandons and flees. It is the state that should act as the great equalizer of social inequality, in a permanent labor of inclusion, creating opportunities to strengthen the possibility of access to education, health and housing, and promoting social progress based on the effort and labor of each individual.

In the center of our regional political reality is change, and the creation of decent employment occupies a central place in that change. And on that point, the other inseparable term in the equation takes on special relevance—the role of investment and companies. This is a role that must be played with a sense of social responsibility.

It is lawful that profitability be the primary consideration in any business undertaking, but it must also seek the balance which contributes to feeding the economy's virtuous circle.

Without effectively addressing poverty and exclusion and providing employment, there will be no well-being. The ab-

sence of well-being among our populations is the cause of greater instability. Should we fail to create employment, governability will be at risk.

We are not just theorizing here. We invite you to observe Argentina's suffering and its achievements. We invite you to examine the very harsh experience we've lived through. We invite you to see the gradual recovery of our self-esteem, the strengthening of our institutions, and the fundamental task of creating decent jobs with equality and social inclusion as our compass.

We must demand that globalization work for everyone

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and not just for a few. That's why we insist that in regional economic integration and political multilateralism, we shall find the keys to the future in which the world will be a safer place.

We hope that these working sessions serve to better represent our nations, and that the Presidents find all the courage which the moment and times demand; that we have the strength to present our relative truth and that we also have the ability to listen to each other, and to find in each other's relative truth that which can be embodied in the building of the new era that we seek. But we must speak clearly. We have to say what we think.

Our poor and excluded, our countries, our democracies, can no longer tolerate our speaking softly. It is essential that we speak with great respect and in a loud voice, to build a system which once again includes us all in the framework of equality, and gives us back the hope and the possibility of obviously building a different world and a region that will be equal to the circumstances. I know that this is what our Presidents seek and desire.

And so I am deeply grateful for your presence at this Summit, and I thank you profoundly for your active participation. From Argentina, with absolute humility and responsibility, we have sought to make clear our own relative view of the period in which we are destined to live. Thank you very much.