Argentine president bows to IMF and banks

Bill Vann
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With his government in a shambles and Argentina's economy at a virtual standstill, President Eduardo Duhalde has taken a series of measures aimed at winning the approval of the International Monetary Fund for a new loan of at least $9 billion to stave off a collapse of the country's financial system.

Duhalde announced the selection Friday of Roberto Lavagna, the country's ambassador to the European Union and a former trade minister, as his new economic minister, the sixth individual to occupy that post in little more than a year. Lavagna is known as a champion of "free market" economic policies and an advocate of the austerity prescriptions laid down by the IMF.

His predecessor, Jorge Remes Lenicov, resigned abruptly after legislators balked at approving a government-sponsored bill that would have allowed banks to offer depositors 10-year government bonds instead of the pesos or dollars they had put into their accounts. Based on the experience of a similar plan instituted more than a decade ago, it was anticipated that the bonds would have traded for 20 percent of their value, wiping out the life savings of many, while bailing out the mostly foreign-owned banks.

According to some accounts, the bill was written by the board of directors of HSBC, the international bank with one of the largest operations in Argentina. Thousands of angry demonstrators descended on the Congress building in Buenos Aires to oppose the measure.

Duhalde responded to the collapse of his joint initiative with the banks—he repeatedly insisted that he had no "Plan B" and the fate of the banks would be "in God's hands" without the measure's approval—by imposing a bank holiday that left Argentines without access to money for four days.

As a fall-back measure, the Congress passed another piece of legislation tightening the lid on deposits. It seeks to stem a tide of some 200,000 lawsuits by larger depositors challenging the legality of the so-called *corralito*, which sharply limited withdrawals. It is widely charged that those with large accounts have been able to bribe officials and judges to get access to their money, resulting in a daily drain of nearly $30 million from the banks.

Having been installed as the fifth president since December, following mass protests over the economic crisis, Duhalde, a leading Peronist, began his term with populist rhetoric about creating jobs and curbing the power of the banks. More recently, however, he has spoken of going to the IMF "with lowered head."

Thousands of protesters banging pots and demanding that the government end negotiations with the IMF marched outside the Congress building in a demonstration April 24. Duhalde, meanwhile, was meeting with provincial governors who had been summoned to sign an accord pledging to meet the demands of the international financial agency, including a reduction in public spending.

Duhalde reaffirmed his commitment to meeting another key IMF demand—the repeal of the so-called "economic subversion" law, which the international agency feared could be used to prosecute bankers. Argentina's Federal Police had begun an investigation into charges that Bank of Boston and Citibank had carried out massive and illegal looting of deposits from its Argentine branches. According to charges presented against the banks, they organized the loading of some $26 billion in cash onto trucks that were taken to the Ezeiza international airport and then flown to the US just before then-president Fernando de la Rua announced the *corralito* withdrawal restrictions December 3.

US- and European-based banks are refusing to inject any new cash into their Argentine branches, claiming that because of the government's default on international loans, they are not responsible for providing cash for their Argentine depositors.

The Bush administration and the IMF, for their part, have watched Argentina's collapse with seeming indifference. Administration officials speak of the financial collapse of the third-largest economy in Latin America—the largest country ever to go bankrupt—as being of no "strategic importance" to US economic and military interests.

The IMF withheld over $1 billion in aid in December and is refusing to consider any new loans until the government carries through a series of drastic new austerity measures, principally aimed at slashing spending by the country's provinces.

Many in Argentina warn that the measures demanded by the IMF will only deepen the country's recession, which is already expected to shrink the economy by more than 10 percent this year, throwing even more workers into the street and provoking widespread social unrest. The state remains the largest employer in many of Argentina's poorest provinces, and drastic cuts in provincial budgets will have a devastating effect.

Discussing recent negotiations with the IMF, Duhalde charged that the agency "at one point asked us to fire 400,000 public employees."

Unemployment has continued to soar in recent months. Even before the closing of the banks caused large sections of the economy to shut down temporarily—with many businesses destined to remain shut—the government's official figures indicated that the number of jobless collecting monthly benefits, averaging $250, had risen to 209,369 last month, an increase of more than 60 percent over last year.

At the present rate, more than 10,000 new workers join the jobless rolls each month. These figures, however, count for less than 6 percent of the estimated 3.3 million unemployed in Argentina. Excluded from collecting unemployment compensation are public sector, agricultural and domestic workers, not to mention the ever larger numbers of working people seeking their livelihoods in the informal economy.

There is growing unrest among workers throughout Argentina, the vast majority of whom have no bank deposits and little income, and have seen the value of their paychecks and pensions slashed by the more than 70 percent devaluation of the peso.

In the northwest province of San Juan near the Chilean border, riot police used tear gas and rubber bullets against state workers who have taken over the city hall and other public buildings to protest three months without paychecks. One state employee, a 28-year-old mother of three, committed suicide by jumping from the window of her fourth-floor office.

In Rio Negro, police fired tear gas to break up a column of 2,000 teachers and state workers who tried to force their way into the state legislature. The workers were last paid in February.

Clashes with riot police have also broken out in the provinces of Chubut, Chaco, Cordoba and Jujuy, while public sector workers in the impoverished northern province of Salta have gone on hunger strike to protest not being paid.

A grim indication of the depth of the crisis came this week with a demonstration in Buenos Aires of dialysis patients carrying signs reading "I want to live," and "Don't let us die." Some 24,000 patients are threatened with the loss of life-saving treatment because the Ministry of Health has stopped paying private dialysis services, and the devaluation of the peso has driven up the cost of equipment and supplies.

Government officials have denied that Duhalde is preparing to step down or call early elections. Rumors are rife that sections of the military have met with business magnates and politicians to discuss a military coup.

Admiral Joaquin Stella, chief of the Argentine navy, spoke out publicly to deny that the armed forces are prepared to once again seize power.

"Since the democratic restoration in Argentina 20 years ago, the armed forces have learned a lot about what institutionalization means," said the naval commander in an interview with the Buenos Aires daily, *Pagina 12*. Argentina's military seized control in 1976, inaugurating a seven-year reign of terror that resulted in the "disappearance" and murder of some 30,000 workers, students and intellectuals and the imprisonment and torture of many thousands more.