IMF demands new austerity measures in Argentina

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The International Monetary Fund has continued to stall on sending a mission to Argentina to negotiate new loans, insisting the government of President Eduardo Duhalde implement still further austerity measures.

Duhalde and other Argentine officials had confidently predicted a swift loan agreement with the IMF after his government carried out a series of steps demanded by the international lending agency. These included the repeal of two Argentine laws that Western bankers saw as a threat to their operations in Argentina, as well as an agreement between the federal government and the provinces to restrict spending.

One of these statutes, the so-called "economic subversion" law, could have been used to prosecute bankers accused of illegal activities prejudicial to the national economy. Argentine investigators had begun probing the activities of major transnational financial institutions like Citibank, which were accused of illegally transferring truckloads of US dollars out of the country, helping trigger last month's economic collapse.

The second statute struck down was a bankruptcy law that offered some protection to heavily indebted national enterprises. With the law's repeal, the door is open to foreign creditors moving in and taking over assets of bankrupt companies lock, stock and barrel.

In a series of tense conversations with Argentine finance minister Roberto Lavagna, however, top IMF officials have made it clear that they are far from satisfied with the Duhalde government's actions, and are demanding that he veto the measure repealing the economic subversion statute and undertake other actions.

The Peronist bloc in the national legislature succeeded in pushing through the repeal by a razor-thin margin, and the proposed veto, underscoring once again the Duhalde government's complete subservience to the IMF and foreign banks, is seen as politically untenable.

The IMF's objection is that while repealing the law, the legislature strengthened sections of the penal code dealing with economic crimes. The IMF claims these strictures would discourage investment. The foreign banks want a clear-cut guarantee that they can continue looting the country without fear of legal consequences.

One of those expected to benefit from the law's repeal is Domingo Cavallo, the former finance minister who was forced to resign by mass demonstrations and rioting last December. He was jailed in April on charges of participating in illegal arms deals with Ecuador and Croatia in the early 1990s.

A judge has ordered Cavallo's release, ruling that there was insufficient evidence to charge him, despite his having signed orders approving the arms shipments, which were ostensibly going to Venezuela and Panama.

A Harvard-educated economist who first served as a leading finance official in the military dictatorship that ruled the country from 1976 to 1983, Cavallo was associated throughout his career with policies that subordinated the Argentine economy to the needs of international finance capital, with disastrous consequences for the bulk of the population. It was widely expected that he would face trial on other, more serious charges associated with the scandal-ridden privatizations of state-owned enterprises in the 1990s, and alleged insider deals with Argentine and foreign bankers.

With his release and the repeal of the law, Cavallo is now seen as virtually immune to prosecution.

The IMF has also questioned the Argentine government's plan for lifting the so-called "corralito," or freeze on bank accounts, which was imposed six months ago. This measure left large numbers of middle- and lower-income depositors penniless. The plan calls for a "voluntary" conversion of the deposits into government bonds redeemable in three to ten years. It also allows for exceptions, including cash pay-outs for persons over 75 and those whose lives and health are at risk if they are unable to use their funds.

Rejecting any flexibility, the IMF is calling for a mandatory conversion to long-term bonds for all depositors, warning that the current proposal could unleash a new round of inflation.

The federal government reached agreements last month with key provinces to restrict state spending, which the IMF had characterized as excessive. In the course of discussions with the provinces on these measures, Duhalde himself admitted that the demands being made by the IMF could destroy another 500,000 jobs in a country where the official unemployment rate already hovers around 20 percent.

According to a report issued last month by the National Institute of Statistics and Census, half of Argentina's 36 million people are now living below the official poverty line, lacking sufficient resources to pay for food, shelter and other basic necessities.

In the hardest hit provinces, the situation is far worse. In Corrientes province, for example, 90 out of 100 inhabitants are indigent. In Formosa, the poverty rate is 89.4 percent; in Chaco, 88.8 percent; in Jujuy, 87.7 percent; and in Entre Rios, 86.7 percent.

There are mounting reports of hunger throughout Argentina. In one of the many shantytowns surrounding the town of Quilmes, just 20 minutes outside the capital of Buenos Aires, the principal of the local school told reporters that families were eating rabbits, rats and frogs to survive. The mayor of the town acknowledged the problem, insisting that the funds provided by the federal and provincial governments were not sufficient to provide any food assistance, including school lunches.

The principal, Diana Barolich, told the press that the children report daily how their parents search desperately for food. "With the rats, they cut off their heads, and adults try them first to see if they're all right" to give to the children. This is occurring in a country that was considered Latin America's most prosperous, and ranked among the greatest beef exporters in the world.

Duhalde and other government officials have bristled at the IMF's insistence that still another set of conditions must be negotiated before approving a new loan. Nonetheless, the Peronist president, who has repeatedly insisted that he has no "Plan B" if the country does not submit to IMF demands, is expected to submit. The agency cut off lending to Argentina last December after the country defaulted on foreign debt payments.

The IMF has not indicated what type of mission it intends to send to Argentina. While the Duhalde government had predicted that a negotiating team would soon arrive in Buenos Aires to hammer out a new loan agreement, IMF officials have spoken of an "exploratory" or "technical" mission, indicating that any deal will still require extensive talks and new conditions.

Once talks do get under way, they will center on drafting a letter of intent, committing the government to a set of economic and monetary targets that must be met to continue receiving IMF credits. These will inevitably mean further austerity and deepening misery for Argentine working people.

Throughout the 1990s, Argentina was touted as a model for IMF prescriptions, achieving growth rates based on the sell-off of state enterprises, while policies of strict austerity and dollar-peso convertibility led to the ruination of the middle class and drove large sections of the working class into unemployment and poverty. Both the IMF and the Bush administration appear determined to continue these policies, while sucking what wealth remains out of the country.

One sign of concern that the results may be another revolutionary upheaval came with the recent visit to Buenos Aires by Assistant Secretary of State for Intelligence and Research Thomas Fingar.

According to one press report, Fingar "made a 38-hour inspection tour to evaluate the state of preparedness of the armed forces and the police forces in case of a sharpening of social conflicts in the coming months." He was disturbed, according to this account, to learn that the federal police had lost electric power because of the government's failure to pay the bills.

Meanwhile, Washington's apparent indifference to Argentina's economic meltdown came under fire at a June 10 meeting organized by the Organization of American States. Cesar Gaviria, the OEA secretary general and former president of Colombia, described the US position as "not very constructive," and warned that continued neglect of the Argentine crisis would prove "very dangerous" because the economic breakdown could spread across Latin America, creating political instability and social upheavals.

"If there is not an orderly end to the [Argentine] crisis the contagion will be enormous" in the rest of Latin America, Gaviria declared.