



nance Minister Roberto Alemann's program for handing state enterprises and exploitation of natural resources to the private sector and multinational corporations. It is St. Jean's group that has shown disgust with Haig's pro-British stance and is warning that Argentina will "reverse its diplomatic alliances," perhaps by moving closer to the Soviet Union, if Argentina is humiliated as a result of a U.S. alliance with Great Britain.

In the rest of Latin America, Argentina enjoys substantial support.

- **Peru** has offered its total support to Argentina, including military aid in the event of an armed conflict. Mexican press sources report that six Peruvian air-force jets have been in Southern Argentina since April 12, prepared to aid the Argentine air force.

- **Venezuela** has offered political and military support, and has urged the OAS not to take on a mediating role in the dispute because it "should side with Argentina."

- **Bolivia** supports Argentina's claim to the Malvinas, and has offered to send fighter planes to Argentina in the event of armed conflict.

- **Brazil's** foreign ministry supports a three-point program which includes Brazil's intention of voting in Argentina's favor should the latter invoke the Rio Treaty at the OAS, not using diplomatic pressure to force Argentina to comply with U.N. Resolution 502 demanding withdrawal of Argentine troops from the Malvinas, and refusing refueling rights in Brazilian ports for the British fleet.

Mexico and Colombia have been the most reluctant to openly back Argentina in this dispute, and Mexico has even asked Argentina to adhere to Resolution 502 and withdraw its troops. The English-speaking Caribbean nations, nominally independent British colonies, have served as spokesmen for Great Britain and as the main obstacle in OAS meetings to passing any resolution in Argentina's favor.

The Pinochet government in Chile is under intense pressure to side with Britain. It has denied reports that it recently signed an agreement granting Britain the right to refuel in Chilean ports. But the head of the

Chilean navy and junta member Admiral Merino Castro inaugurated the newest British-made ship into the navy recently with the statement that Britain and Chile have been "sister nations" for nearly two centuries because they are both "island nations . . . dependent on the sea."

Even if the Monroe Doctrine or Rio Treaty are not applied, the majority Latin American support for Argentina poses the threat of influencing the United States. Britain's current efforts to set off other simmering border disputes in Latin America are designed to supersede that threat by creating maximum upheaval throughout the continent. Immediate targets are disputes between Peru and Chile, Argentina and Chile, Colombia and Venezuela, or Peru and Ecuador. A sharpened Central American crisis is also on the agenda.

The financial warfare against Argentina

by Kathy Burdman

Before any shooting war, Britain has directed an intensity of financial warfare against Argentina which could bring down the entire world banking system. On April 2, Britain froze \$1.5 billion in Argentine assets in Britain, and halted all further lending to Argentina by British banks. In retaliation, Argentina announced that it will suspend all payments on its \$5.8 billion in loans already borrowed from British banks; as much as \$4 billion may be due for interest and principal repayment during 1982.

The risk is that Britain, by cutting off credit, will force Argentina into open default on its international debt. If that happens, "cross-default" clauses will be triggered on much of the \$34 billion Argentina owes to banks around the world. Major banks in the United States, Germany, and Britain could be bankrupted as a result.

The risks on either side are so high that neither is likely to call the question as a financial matter, as Francesca Edwards, chief economist for Morgan Grenfell, told *EIR* in London. "The Argentine situation will not result in a collapse of Argentina's finances, except if there is military action," the investment banker stated. "If action occurs, all Argentine debts would have to be written off, but in that case we shall be more worried

about things other than the financial markets.”

British strategy is to protect its banks and destroy Argentina's economy, the London *Sunday Times* stated April 11. “The banks will starve Argentina of loans, but not seek to bankrupt it” by outright default, they revealed. “Britain is lining up all of its ducks in a row” as if moving to force default, said one Bankers Trust official, and has taken a series of measures designed to draw other lenders into its strategy. Britain is:

- exerting “talking” pressure on other countries, U.S. Treasury sources said, “and that makes other lenders wary.” “This whole thing is causing havoc,” said one U.S. banker. “We’re remaking our policy every day.” Some large U.S. banks have even “temporarily ceased operations” of lending to Argentina, one banker told *EIR*, because of the “risks involved.”

- forcing the European Community to ban all Argentine exports to the EC for one month, which would cost Argentina \$167 million of its annual \$2 billion export revenues from Europe.

- lining up an identical Commonwealth nations’ trade embargo of Argentina.

- starting “panic” rumors about a collapse of the Argentine peso. British bankers have spread the word that runs will occur on Argentine banks, that several of them are “near bankrupt,” and that the government will be forced to close banks in a “bank holiday,” the *New York Journal of Commerce* reported April 15. This, the rumors say, will force the Argentine central bank to “print money,” collapsing the value of the peso.

- Britain is, however, *allowing British banks to roll over some Argentine debt*, although under the terms of the British loan freeze, Argentina is already in “technical default” on certain loans.

Britain intends to protect its own banks, such as Lloyds and the Bank of London and South America; the latter suffered minor runs April 13 because of its large loans to Argentina. “A default only occurs when the lender says it exists, and Britain won’t call one,” a Treasury official said April 13. “Britain has frozen only a small portion of Argentina’s total assets, which are over \$5 billion, and most of which are in New York, in U.S. banks. In a default, Britain would lose, since U.S. banks would grab most of the assets first.” He estimated U.S. banks hold “the bulk” of Argentina’s debt, “perhaps \$10 billion;” the British “over \$7 billion, more than reports;” and West German banks “almost as much of the rest.”

The idea is to impose harsh austerity on Argentina, while making it pay the debt. Argentine Finance Minister Roberto Alemann announced April 14 that Argentina will pay all debts, including those to Britain, and established an escrow account in the Banco de la Nacion Argentina in New York for payments to Britain. Due to pay a total of \$14 billion in debt service this year,

Argentina can draw on \$5 billion in reserves.

But the collapse in export and loan revenues means Argentina will be forced into harsh import cuts, and domestic production will suffer badly. Last year, Argentine industrial production fell 16 percent; import cuts mean vital industrial investment and production must be cut further.

The following is excerpted from an interview with Gary C. Hufbauer of the Washington, D.C. law firm Tozer, Kemely and Milbourn. Hufbauer was Assistant Secretary for Trade and Investment Policy in the Treasury Department under the Carter administration. A member of the American branch of the British aristocracy’s Ditchley Foundation, he expressed the view that the United Kingdom might after all push Argentina into default.

Q: Will the British try to bankrupt Argentina?

A: Yes, that is Britain’s goal. Britain will cut off lending to Argentina, and put a tremendous pressure on American banks and European banks not to step in and roll over the loans that Britain wouldn’t make. In this case, the IMF will come into the picture and the British will put pressure on the IMF not to make any loans to Argentina.

Q: What if the U.S. applies the Monroe Doctrine against Great Britain?

A: If the U.S. wanted to sever its relationship from Great Britain, it would do that. That policy would do much to weaken the NATO alliance. . . . The application of the Monroe Doctrine would be like what Eisenhower did in Suez. Do you know what damage was done by that? At least we had a strategic interest there which gave us a necessity to act in Suez. But what strategic interest do we have in the Falklands?

The following is excerpted from an editorial in the London Times of April 12, 1982:

The American administration is afraid of the dispute over the Falklands further undermining stability in Central America. . . . In particular it wants to avoid the Rio Treaty being invoked against the introduction of forces from outside the continent into the American hemisphere. . . .

A degree of circumspection is necessary as a mediator. But for the United States to go beyond that simply in order to protect its own local interests would not be consistent with the obligations which it owes to Britain as an ally or with its own broader purposes in the world. . . .

The American administration may fail to think sufficiently of the effect that its conduct in this crisis will have upon the future of the Atlantic Alliance. . . .

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