

# Opposition grows against privatizing Banco de la Nación in Argentina

by Gerardo Terán Canal and Gonzalo Huertas

Over the past three years, the International Monetary Fund has been demanding that the Argentine government privatize the state-owned Banco de la Nación Argentina (BNA). While the Menem government has so far gone along with the IMF demand, opposition to the plan is growing.

With 12% of total assets of the national banking system, BNA is the largest bank in the country. Its privatization, probably by a group of foreign financiers, would add to the 53% of national banking assets already owned by foreign banks at the end of 1997, putting 65% of Argentina's financial community under foreign control. Heading the list of foreign banks lying in wait for BNA is the London-based Hongkong & Shanghai Banking Corp., the flagship bank of Dope, Inc.

Thus, the privatization of BNA would mark a point of no return for the hand-over of Argentina to British financial interests. It would be like shutting down the circulatory system of an already ill person.

The significance of such a sell-off, however, cannot be reduced to a matter of numbers and percentages. BNA was founded on Dec. 1, 1891, on the initiative of President Carlos Pellegrini and his Finance Minister, Prof. Vicente Fidel López. According to its founder, BNA was created to protect the nation's agricultural and industrial sectors. The threat, Pellegrini said in 1876, in a speech before the National Chamber of Deputies, is free trade. "Free trade kills nascent industry; every country should develop its national industry," he said.

As Estebán Takacs, the director of the Studies Institute of the Argentine Rural Society, recently told the Buenos Aires newspaper *La Nación*, BNA "has long accompanied the expansion of the agricultural frontier. This expansion continues today, and our country is one of the few in the world which still has vast areas of land suitable for agriculture, with significant potential for the development of new irrigation projects.

"In this growth process with major regional impact, the bank — with all its successes and failures — has played a relevant role. The eventual privatization of the Banco de la Nación raises the first major question: how to replace a function that continues in effect?

"Unlike other privatized agencies, the Banco de la Nación doesn't show losses in its balance. It is nearly certain that a modernization and restructuring program for the bank could improve its results, but privatization does not appear as an indispensable alternative at the present time. Still less so,

taking into account that one doesn't hear any consistent proposals offering guarantees that its primary functions, as established in its constitution, can be carried out by some other mechanism."

## Government and pirates agree

To date, Argentina President Carlos Menem and his government have been quite disposed to carrying out the IMF's demand. On Nov. 7, 1997, through a press release issued by Economics Minister Roque Fernández, an official decision was announced regarding BNA's privatization, for which the government hopes to collect \$3.5 billion.

As Rene Bonetto, president of the Argentine Agrarian Federation, told *La Nación*, "for the economic team, the national credit institute is one of grandmother's last jewels, which will enable it to continue meeting its accounts for a while longer."

The minister's press release called on "prestigious investment banks to present proposals and strategies for the privatization of the Banco de la Nación Argentina." Financial sharks, including Merrill Lynch, First Boston, Lehman Brothers, Goldman Sachs, and Deutsche Morgan Grenfell, offered to advise the government, and the Argentine Banking Association issued a statement backing the government's privatization proposal.

The Argentine Businessmen's Council also called on Menem on Jan. 14 to carry out BNA's privatization this year, to "show the international and national community, and the world financial sector, that Argentina continues to move ahead by deepening the model." Among these businessmen was Santiago Soldati, the friend and partner of Marc Rich, a fugitive under indictment in the United States and a dealer in the world's precious metals markets; former Economics Minister José Martínez de Hoz; and George Soros's representative in Argentina, Eduardo Elsztein.

Days later, according to *La Nación*, Minister Fernández used these businessmen's argument to pressure Menem to "accelerate the privatization of Banco de la Nación." On Fernández's orders, the BNA's directors met with agricultural producers' associations to examine the state of affairs of that sector's debt arrears, which on June 30, 1997 represented 40-50% of the bank's portfolio.

The announcement of the privatization has created an op-

position that, since the Convertibility Plan was launched in 1991, is without precedent. Even sectors which had unconditionally supported the Menem government in its denationalization programs, have made public their vehement opposition to the privatization of BNA.

On Nov. 7 of last year, Enrique Crotto, president of the Argentine Rural Society, which represents the country's 10,000 most powerful agricultural producers, declared that "there is no need" for the privatization. "I may be liberal, but I'm not stupid. . . . The first reflex would be a several-point rise in the interest rate." Crotto said that "the countryside would be without aid," because "there does not exist another structure in the entire country that contributes to the regional and demographic balance, as does BNA."

Another unconditional backer of Convertibility, the General Economic Confederation of the Argentine Republic, also issued a communiqué last Nov. 12, in "opposition to the initiative to privatize the Banco de la Nación, since its role is to encourage productive activities and to support the business class in various regions of the country."

At the same time, the Banking Association (which represents all employees of the Argentine financial system) has begun a national campaign to gather 1 million signatures in opposition to BNA's privatization.

In the first week of April of this year, a group of Congressmen from the Justicialist Party presented the National Congress with a resolution calling on the Executive branch "to abstain from any procedure tending to privatize the Banco de la Nación."

### **The point of no return**

Should the Banco de la Nación be privatized, the very next day would see the passage into foreign hands of 11,573,956 hectares of highly productive land which had been mortgaged by BNA and whose debts were overdue. As an internal report of the BNA confirms, this represents 6.56% of the total land suitable for agricultural production. It does not include all the small and medium-sized businesses which are indebted to BNA throughout the country.

In an article for the March edition of the magazine *Coyuntura y Desarrollo*, of the Foundation for Development Studies, Horacio Delguy accurately described this process, when he wrote that agricultural Argentina is "submerged in a process of bankruptcies, rural exodus, hyper-unemployment, vast foreign and internal indebtedness in foreign currencies, and, above all, [is] a victim of the denationalization of the public and private patrimony of all Argentines."

He said, "This means a violent transfer of assets that places us on a still more difficult path than the one already travelled. Not only because of material losses suffered, but because of distorted . . . ethical and moral values throughout society . . . [which] have enabled a minority of Argentines to apply the current economic model with social and political impunity."

## **Argentina's BNA: a symbol of hope**

by Cynthia R. Rush

If the great patriot Carlos Pellegrini were alive in today's Argentina, he would, in his characteristically polemical style, have a thing or two to say to President Carlos Menem about the latter's plans to privatize the Banco de la Nación Argentina (BNA, the Bank of the Argentine Nation), not to mention what Menem has already handed over to British-controlled financial interests, in pursuit of the alleged benefits of globalization.

As President (1890-92), economic nationalist Pellegrini founded BNA as a *national* bank, to finance internal development and guarantee issuance of cheap credit to productive enterprises of all types and sizes. He did so with the knowledge that precisely this type of institution, as conceived by Alexander Hamilton in the United States, had been central to U.S. industrial development. As he proudly told one of his collaborators, "Today we have founded a bank with Argentine capital!"

The BNA opened its doors in December 1891, during a period of intense anti-British ferment in Argentina, encouraged by Pellegrini's decision to defend national sovereignty and put an end to British control of the country's finances and internal politics which dated back to before Argentina's independence from Spain. Pellegrini's actions during his Presidency caused such apoplexy in London, that the British considered military intervention to protect their usurious activities.

At the bank's inaugural ceremony, Pellegrini told its new directors: "This bank was founded solely to serve industry and trade, and you well know their needs and are capable of meeting them. If there were any recommendation I would make to you, it would be to favor a group which to date hasn't received much attention from banking establishments but is nonetheless, worthy of greater interest. I'm speaking of the small industrialists. The real industry of a new country is what is born within it, grows and develops through intelligence and perseverance, adapts to the environment in which it lives, and each day acquires new experiences which invigorate it."

Who was Carlos Pellegrini? Where did he come from? What allowed him to challenge the iron grip which Britain had had on every aspect of Argentina's economy? With only a few exceptions, almost all historians who have studied