appropriately named project, by serving on its advisory board.

The founding director of the IAD's project, Peru specialist Donna Lee Van Cott, summed up the goal of the project in a Nov. 4, 1992 column in the *Christian Science Monitor:* "In virtually every country in Latin America, indigenous cultures are challenging the legitimacy of nation-states. . . . They challenge not just the state's disposition of their lands, languages, resources, and heritage, but the very concept of national identity and national culture."

Argentina stands on the edge of the abyss

by Cynthia R. Rush

At the end of 1999, news began to trickle out in Argentina that a significant number of national companies had left the country and transferred their operations to Brazil. By late January, the specific numbers emerged. A confidential report prepared by the Argentine Industrial Union (UIA) revealed that 100 firms had relocated to Brazil, causing the loss of at least 10,000 jobs in the affected industries—auto, textiles, agro-industry, shoes and other leather goods, and food processing, to name only a few. The transfer began during the last year of the Carlos Menem administration in Argentina, following the January 1999 devaluation of Brazil's currency, the real, which overnight jacked up the prices of Argentine exports to Brazil, while cheapening Brazilian imports. Thirty percent of Argentina's exports go to Brazil, its most important trading partner, and one of the four members of the Common Market of the South (Mercosur), which also includes Uruguay and Paraguay.

Reeling, like the rest of Ibero-America, from the unravelling of the world economy which hit in 1997-98, in January 1999 the Brazilian government both devalued the real and imposed a package of draconian austerity, as demanded by the International Monetary Fund (IMF) and allied financial oligarchs. There is a certain irony, therefore, in the fact that Brazil's crisis has played out so dramatically in Argentina. Even while its own industry and productive capacities have suffered under the regime of Fernando Henrique Cardoso, Brazil has been able to entice Argentine businessmen with incentives such as 50% lower labor costs, tax exemptions, lower tariffs for import of industrial inputs, and land grants. "As incredible as it seems," said auto producer Jorge Aguado, "Argentine businessmen feel more protected in Brazil than in their own country."

Some analysts correctly asked whether the flight of industries to Brazil meant that Argentina was being relegated to the role of a raw materials producer, which the British Empire had always envisioned for it, while Brazil would be allowed to have some industry. A panicked UIA president Oscar Rial warned that Argentina "must immediately take measures to protect its industry." Officials of the Alianza government of Fernando de la Rúa, which took over from Menem on Dec. 10, 1999, quickly announced they had a "plan"—no details given—to promote national industry and keep businesses at home.

But the exodus of companies to Brazil is only one of the more visible aspects of the Argentine crisis. Unless the de la Rúa government scraps the free-market and globalization policies of the last 15 years, instead of presiding over the economic "recovery" it claims is just around the corner, it will take credit for the economic, and territorial, shattering of the Argentine nation-state.

Provincial crisis is a powderkeg

Nowhere is the danger of Argentina's dismemberment more evident than in the provincial crisis. In the nineteenth century, the separatism and armed conflict encouraged by British geopolitics threatened the territorial integrity of Argentina, and many other Ibero-American nations. Today, the IMF is doing the same job, at London's behest.

For ten years, Argentina has been under the gun of "convertibility," the same currency-board system which the British Empire imposed on its colonies. It has locked Argentina into the bankrupt U.S. Federal Reserve System, and, by law, pegged the peso to the dollar in a 1:1 parity. The imposition of deep austerity, total trade and financial liberalization, mass privatizations, and ever-increasing foreign indebtedness have ruined industry and agriculture, gutted the labor force and living standards, and made the country a lucrative site for drug trafficking, money-laundering, and all manner of contraband and illicit activity.

Argentina's provinces are economically wrecked, unable to generate tax revenue, pay debt, or cover essential expenditures such as salaries. Many provinces have debts which are higher than their total annual income, and creditors have taken to confiscating up to 100% of the revenue-sharing funds which by law provinces must receive from the federal government. Amid rising unemployment—the provincial unemployment rate is estimated to be at least 30%—the likelihood of social explosions and violence in several provinces is great. The riots that erupted in Corrientes last December, sparked by workers who hadn't been paid in eight months, augurs what can be expected should the current policy remain unchanged.

In negotiations for a $7.4 billion standby loan that was announced on Jan. 28, the IMF repeatedly demanded that the provinces be included in the calculation of Argentina's global fiscal targets, despite the fact that Argentina's federal system prohibits the central government from dictating budgetary and fiscal policy to the provinces. Many governors have already imposed harsh austerity on their own. But the ruling Alianza party government intends to comply with the IMF, by blackmailing the governors. If they don't impose deeper austerity, they won't get investment of *federal* funds for badly needed infrastructure projects.

In the past, their pleas ignored by the federal government, some desperate provincial governments resorted to creating their own currencies, or paying workers with IOUs, food, or other goods, to keep themselves afloat. It's not inconceivable that, under present deteriorating conditions, individual provinces or groups of provinces might opt to declare themselves "independent" from the Buenos Aires government, just as some indigenous regions of crisis-wracked Ecuador are demanding "autonomy" from their central government. The nation-state will cease to exist.

Disaster looms large

Argentina is so vulnerable to this economic and physical disintegration because the sovereign institutions needed to protect it from such a fate have been smashed. Since the 1983 "return of democracy" which followed the 1982 Malvinas War with Great Britain, first the Raúl Alfonsín and then the Menem government set out to deliberately destroy the country's Armed Forces, at the behest of the "Bush Manual" crowd whose nation-wrecking strategy *EIR* exposed in its 1993 book *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*. The Alianza government is no different. Many of its officials, starting with Vice President Carlos "Chacho" Alvarez of the São Paulo Forum's Frepaso coalition, are eager to let Spanish Judge Baltazar Garzón, an agent of Transparency International, finish the job of dismantling Argentina's Armed Forces, using the pretext of "defending human rights."

Exemplary of this offensive is the vendetta launched against Lyndon LaRouche's friend and Malvinas war hero, Col. Mohamed Alí Seineldín. Seineldín was sentenced to life in prison in 1991, because he defied the globalists' plans to change the mission of the Armed Forces, from "the military arm of the Fatherland," entrusted with defending sovereignty, into a small, "high-tech" police force whose mission and deployment would be defined by the supranationalists at the United Nations or NATO.

With its 1991 adoption of convertibility, Argentina also abdicated any sovereign control over its banking and credit system. The system handed foreign, largely British banks, control over 53% of the banking system. This fact hasn't escaped the notice of some Brazilian patriots, who see Argentina as their future, should the Cardoso government be allowed to privatize all state-owned banks and companies. A nationalist coalition has just been formed to halt the privatization of the São Paulo state bank, Banespa, under the slogan "Banespa is ours!"

Many businessmen and trade unionists are now desperately calling for an end to convertibility, and a devaluation of the peso to make Argentine exports "more competitive" in relation to Brazil, for example. But even if this were to be done, it wouldn't change the devastating effects which ten years of this British colonial policy has had on Argentina's economy. A study just released by the Equis consulting firm reports that more than 2 million Argentines, one-third of them children, live on less than one dollar a day. The government's Secretary of Employment also just reported that 145,000 jobs were lost in the country between October 1994 and October 1999—and this is probably an underestimate.

So what does Fernando de la Rúa propose to do? Even before winning the October 1999 election, he and Alvarez promised that they would keep convertibility intact. Less than a month after taking office on Dec. 10, the government announced a tax reform, budget cuts, labor reform, and declaration of a "fiscal emergency," through which to further gouge living standards in obedience to the IMF's demand that the gaping fiscal deficit—$10 billion in 1999—be rapidly plugged. Nothing is inviolable here, *except* the $9 billion in foreign debt service needed this year. Wages, pensions, medical benefits, and funds allocated for the provinces are all fair game. Moreover, the fiscal year 2000 budget mandates $1.4 billion in cuts, which de la Rúa boasts are "unprecedented" in Argentine history. The jobs of tens of thousands of state and provincial employees are on the chopping block.

The tax reform is vicious. Since convertibility has dramatically shrunk the tax base, and therefore the revenue it can generate, the government will try to squeeze funds out of the middle and lower classes' already reduced consumption. The reform removes many existing exemptions, especially for lower-income or self-employed brackets, increases the personal income tax, expands the Value Added Tax, but *does not* tax financial transactions, income from stock market investment, or funds sent abroad, for example.

Tax collection is key to the government's "anti-corruption" drive. Particularly scandalous is the government's public partnership with Transparency International, the IMF and World Bank appendage which uses the pretext of "combatting corruption" to wage warfare on nation-states. De la Rúa and Alvarez have already begun to set up their own version of the "Clean Hands" gestapo which destroyed many of Italy's pro-industry political leaders and nearly all of its institutions. Transparency International's president for Latin America and the Caribbean, Luis Moreno Ocampo, the former prosecutor and founder of the "Citizen Power" nongovernmental organization, is deeply involved, as are a gaggle of like-minded New Age criminologists and sociologists, in directing the government's campaign. Argentina is in economic trouble, they say, *not* because of the IMF's criminal policies, but, in Moreno Ocampo's words, because "of the illegality and hyper-corruption which for decades has distorted the country's economy and politics."