

try to the banks' books, they still can't be sold, without placing a huge upward pressure on China's currency.

South Korean, Taiwanese, and Thai officials, however, are quoted in the *Wall Street Journal* Feb. 5 describing concrete plans to diversify foreign reserves into other investment, especially domestic improvements. "Korea needs to invest its foreign currency reserves more effectively," said a top Seoul Finance Ministry official. Next year the ministry will establish the Korea Investment Corp. (KIC), to which it will start diverting \$20 billion a year of its foreign reserves. KIC, in turn, will place the funds with private Korean firms which manage foreign assets, which would be allowed to move the cash into other currencies and instruments to earn a better return.

In Taiwan, the central bank "has accumulated too much in dollars," a minister told the *Journal*, "which may not be an efficient use of our resources." Taiwan plans to start converting the dollars back into domestic currency to help local companies buy machinery and patents overseas to build up new industries. Even Thailand has begun a program to use \$7 billion in dollar reserves annually to pay off its debts.

### **Eurasian Alliance Needed**

"Countries in the region might take a fresh look at their management of reserves and foreign exchange policy," the Asian Development Bank wrote in a December report. At the BIS Special Governors Meeting of Asian Central Banks in Hong Kong Feb. 7-9, this question was repeatedly raised.

The last time debate about the ruinous effects of the dollar-based IMF system broke out, during the 1997-2000 "Asia crisis," governments acted to create the "Chiang Mai Initiative" for a new regional currency regime. But all this was silenced on Sept. 11, 2001, since which time Cheney and the neo-cons have insisted that all criticism of the dollar system is treason to the "war on terror." After the Iraq invasion, many Asian nations have felt it best to shut up and act like well-behaved piggy banks, rather than risk ending up in the next war zone, somewhere near the Korean Peninsula.

The only exit strategy grand enough to work, would be not an East Asian, but a Eurasian-wide alliance for a system of new financial and trade treaties, including Russia, India, and Western Europe. The initiatives from Russia and Italy for a New Bretton Woods monetary system need careful study in Asia. American Presidential pre-candidate Lyndon LaRouche, author of the New Bretton Woods plan, says that only if all Eurasia acts together can a change be effectuated. LaRouche presented Eurasian initiatives to reorganize the bankrupt IMF system, in Moscow last year (see *EIR*, Oct. 23, 2003); the dollar crisis' effects have drastically worsened since then.

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## **Argentina vs. IMF: 'Test Issue' for U.S. Leaders**

by Cynthia R. Rush

Democratic Presidential pre-candidate Lyndon LaRouche is warning all American political leaders that deranged international banking factions, intend to "transform Argentina into another Auschwitz," to collect \$99 billion in unpayable foreign debt on which the country defaulted in December 2001. LaRouche said on Feb. 12 that the International Monetary Fund's behavior "under Horst Köhler, in the case of Argentina, constitutes a witting intent to commit genocide—as witting as was Himmler in the case of Nazi genocide. This willingness to commit outright genocide is a telling proof of the present state of mind of the leading financier interests who are in power in the IMF." This makes the Argentine situation "a test issue for all of the individuals running for the Presidency of the United States," who will have to take a clear stand on this Argentine crisis: Will they be tools of the IMF genocidalists against Argentina, or take a stand against this mass murder as LaRouche has?

The candidate placed this Argentine test struggle in its international context: "As we go into the endgame phase of the disintegration of the present floating exchange rate world financial and monetary system, the most essential issue on the table, increasingly is: Will there be an orderly bankruptcy reorganization of the Federal Reserve and IMF system, under the principles of the original 1944 Bretton Woods, or will there be mass genocide—the consequence of putting the bankers in charge of the reorganization?"

The Group of Seven industrialized countries, the IMF, World Bank, and synarchist financial interests in London and on Wall Street have declared war on Argentina. Infuriated that President Néstor Kirchner proposes to restructure \$99 billion in defaulted bonds with a 75% writedown, they are using every form of blackmail and threat to bludgeon him into backing down. They are feverishly demanding Argentina *must* pay the unpayable, killing its own people to do it.

That Argentina is still suffering from the effects of the economic collapse that followed the January 2002 peso devaluation, is irrelevant to these usurers. The IMF and allies argue that Argentina's alleged "recovery" (officially it grew by 8% last year) means that it should increase its primary budget surplus (the amount set aside to pay debt) to 4.5% of Gross Domestic Product, instead of the current 3%. In fact, there has been no recovery, except for slight increases in a few sectors' production from import substitution, stemming from the peso devaluation and the inability to purchase imports. Nothing has been done to address the ruin of the physical



*At the center of a battle: Argentina's President Néstor Kirchner is urgently addressed by LaRouche Youth Movement activists in Washington, D.C. If Kirchner stands against the IMF attack, the Fund is in much more desperate straits than his Argentina, or Brazil.*

economy, and poverty levels remain at 55%. Children still starve to death in a country once known for its food production. Unemployment is officially 21%, and the collection of recyclables, exchanged for food or other barter items, is still a major "growth industry."

### **The 'Institutions' Support the Vultures**

That these global institutions are mobilized to defend the predatory vulture funds, which hold a sizable portion of the \$99 billion, goes to the heart of the bankruptcy of the global financial system. The vulture funds are nothing more than dirty speculators in unpayable debt, profiting from the looting of nations by an indebtedness forced on them through the IMF. Speculating on Argentina's debt in late 2001, the vulture funds purchased the country's badly depreciated debt paper right before its default; now they insist on payment for their fraudulent "investments," suing Argentina and trying to seize its assets to get it.

On Feb. 9, right after G-7 Finance Ministers held their meeting in Boca Raton, Florida, the Cayman Islands-based NML Capital Ltd., a vulture fund that claims Argentina owes it \$172 million, succeeded in getting courts in Maryland and Washington, D.C. to place a lien on 15 properties belonging to the Argentine government. The Buenos Aires stock market immediately plunged by 8%. The properties include all diplomatic residences, the mission to the Organization of American States, and four storage depots containing Air Force and Navy military equipment. Only the Washington embassy itself has been spared. Argentina is appealing these actions, labelling them illegal and in violation of the Foreign Sovereign Immunities Act. Because these court actions were *ex parte*—secret—the Argentine government was not notified, and therefore could not file an injunction. On Feb. 12, it filed an official complaint with the State Department, protesting the action of

the U.S. courts.

So far, the Argentine President has held his ground. In a Feb. 10 speech in the city of San Nicolás, he responded forcefully to NML's legal action. "We want to be integrated with the rest of the world, but it is also time for that world to put the brakes on the vulture funds and on the insatiable banks that want to continue profiteering from an Argentina that is broke, and in pain, and needs a hand of solidarity from the world so that it may rise up again." Were Argentina to pay more than the 25% it has offered to bondholders, "we would pay as we did in the decade of the 1990s, which would be a *new genocide* against the Argentine people that we cannot ever allow again."

After the years of wholesale looting and destruction they suffered under the 1989-99 free-market regime of former President Carlos Menem, and his successor Fernando de la Rúa, the majority of Argentines support Kirchner for asserting that the interests of the country and its people come first, *before* payment of a foreign debt that most consider illegitimate in any case. When he became President, Kirchner said, "I said that I was not going to lie to Argentines, and I proposed, for all of those who suffer . . . not to waver or lie, but to tell the truth. I want to hold my head high . . . If you elected me President, I must have the courage, and whatever it takes, to defend this beloved nation and our interests."

### **Argentina, IMF at a 'Punctum Saliens'**

Will Kirchner follow through, or capitulate to increasingly brutal pressures? Last Sept. 5, Argentina defaulted on a \$2.5 billion payment to the IMF, but paid the money the next day after getting assurances that the Fund would sign an agreement, whose conditionalities were not considered too onerous. LaRouche noted at the time that Kirchner could have brought down the whole system. The LaRouche Youth Move-

ment (LYM) in Argentina is mobilized not only to support Kirchner, but to challenge him to go further. The LYM issued a Feb. 9 open letter to the Argentine President, citing LaRouche's "Auschwitz" warning, and urging Kirchner to break decisively from the IMF. This, the LYM letter emphasized, would lay the basis for creating a new world order based on LaRouche's New Bretton Woods and Eurasian Land Bridge proposals.

"The policies of adjustment and looting imposed by the IMF and the 'vulture funds' on the concert of nations, have forced us aboard a 'Titanic' which is on the verge of sinking, taking with it the economies of all countries," the letter warns. "While it is true that, by acting in this sovereign manner, Argentina will run the risk of possible embargo of some of its assets abroad, . . . acceding to the demands of the IMF and the vultures means an embargo of *the entire nation*, of its wealth, its very sovereignty. . . ." The world is at a "*punctum saliens*. . . . The enemy is losing its strength, because its system is collapsing. The moment to act, to bury this moribund economic order is at hand."

Kirchner was offered the full support of LaRouche and his international movement if he defies the IMF. The LYM is already using its weekly hour-long radio program, "The Power of Truth," to broadcast LaRouche's analysis of the situation, and mobilize broader sectors of the population into action. On Feb. 5, the LYM interviewed *EIR* Ibero-America editor Dennis Small on LaRouche's Presidential campaign; on Feb. 11, its guest was Judge Julio Cruciani, who had just issued his own open letter calling for Argentines to mobilize in defense of sovereignty, against the "common danger" of the foreign debt. Cruciani called all patriots to Argentina's defense "to prevent genocide." Other LYM chapters in the United States, Mexico, Peru and Colombia are also mobilizing demonstrations of support in front of the Argentine embassies, and in Washington, against the IMF.

## A 'Financial Malvinas War'

Today's warfare against Argentina is not unlike Britain's 1982 Malvinas War: then, at the height of Ibero-America's debt crisis, NATO was mobilized to crush Argentina militarily. Its defense of sovereignty unleashed a continent-wide revolt that went well beyond the issue of the Malvinas. It threatened the financial structures of usury and indebtedness, through declarations of debt moratoria. In his historic *Operation Juárez* document, written that same year at the request of Mexican patriots, LaRouche called for a "debtors' cartel," and outlined programmatic proposals by which Ibero-America could become an industrial powerhouse.

Today, the same synarchist financial forces are again out to crush Argentina, but now in a global economy that is blowing apart, and an Ibero-America devastated by 20 years of free-market looting. So precarious is the global financial system, and so great the fear of collapse, that any form of resistance has to immediately be smashed. As Martin Wolf of London's *Financial Times* ranted in a Jan. 28 column, Argen-

tina's behavior is dangerous because it sets a bad example for other governments that are trying to "implement deeper reforms."

Kirchner's defiance of the IMF has sparked total hysteria. Exemplary was the Jan. 30 commentary in the *Wall Street Journal* by resident fascist Mary Anastasia O'Grady. Whatever happened to the good old days of "gunboat diplomacy," she complained, when the debt of countries like Argentina could be collected by force? Both O'Grady and the *Times*' Wolf urged the IMF not to approve the second review of its loan accord with Argentina, unless Kirchner promises harsher austerity, to generate funds to pay more debt.

During the Florida G-7 meeting, Argentina's lack of appropriate submissiveness, and its failure to negotiate "in good faith" with the vultures, was a major topic of discussion. In its final communiqué, the G-7 demanded Argentina "implement policies in line with its IMF program. Argentina should engage constructively with its creditors to achieve a high participation rate in its restructuring." Anonymous G-7 sources in Boca Raton told reporters that unless Argentina makes a more acceptable offer to bondholders, allows privatized utility companies to raise rates, and imposes more "structural reforms," it will face "isolation" from the international community. Two days after the G-7 meeting, on Feb. 9, IMF Managing Director Köhler met with Argentine Finance Minister Roberto Lavagna for five hours to tell him that "good faith" negotiations with bondholder vultures was *the* issue on which Argentina had to heel.

According to the existing loan agreement, Argentina must adhere to the IMF's conditionalities and make payments promptly when they are due. On the books, Argentina will stay current, but the Fund will immediately reimburse it the amount paid by a rollover agreement.

But the threat the Fund is now wielding, also brandished by G-7 officials at Boca Raton, is this: If Argentina doesn't buckle and make the vultures an offer with a smaller write-down, the Fund won't approve the second loan review scheduled to take place this month, upon which rollover reimbursement depends. The Fund purposely delayed the first loan review, originally scheduled for last December, until late January, which also delayed the disbursement of a \$350 million tranche. When the IMF executive board finally did vote on the review on Jan. 28, the United Kingdom, Italy, Japan, and five other members abstained, to express their displeasure with Argentina's "arrogance" with its creditors.

But, as the daily *Clarín* asked on Feb. 5, were Argentina to default to the IMF, "who would be the big loser, Argentina or the IMF?" Kirchner actually has in his hands, as he did last September, the power to bring down the IMF altogether. He has already said that if the Fund doesn't approve the loan review, and guarantee reimbursement of the \$3.1 billion, he won't dip into the country's reserves to make the payment. It has escaped no one's attention that an Argentine default to the Fund could bring it down, since the country accounts for 16% of the IMF's total debt.