# International Credit by Kathy Burdman

## Pushing Argentina to the wall

*The new deal on the foreign debt constitutes "subversion by the IMF," Ibero-American leaders say.*

The New York banks' agreement to stretch out some $25 billion of Argentina's foreign debt Dec. 2 is not meant to end Argentina's debt crisis, but is part of Henry Kissinger's Trilateral Commission plan to "Iranize" Argentina and render it ungovernable.

In late 1982, Kissinger warned Argentine business associates to take all assets out of Argentina because "terrible things will happen there." Kissinger traveled to Argentina this September and "profiled" leaders. At a private New York lunch for Argentine creditors Sept. 25, Kissinger told bankers to push Argentina to the wall.

Argentina can still break profile. But under the Trilateral plan, they will get no real new money, interest rates will be raised, and austerity dictated by the International Monetary Fund will create social chaos. "The IMF is the best ally of subversion in Latin America," former Venezuelan President Luis Herrera Campins told a press conference Dec. 5. "The IMF is all that is needed for subversion, and more than enough."

Argentina was targeted by the banks for harsher terms than offered Mexico, Brazil, and Venezuela in recent reschedulings because it might lead a debtors' cartel. The Kissinger strategy was to "pick off" debtors, by offering Mexico and Brazil easy terms earlier this year. Now they have isolated Argentina.

The banks will stretch out $25 billion in principal due in 1984 and 1985—which Argentina could never pay in any case—over 10 years. But the interest will rise to 1.25% over the 11.25% U.S. prime rate, plus a front-end "rescheduling fee" that makes the effective rate 13.25%. Bankers call the rate "enticing."

In order to temporarily clean up banks' books and enable Argentina to pay most of the $1 billion it owes in past-due interest—which would otherwise force Manufacturers Hanover and other lenders to take losses as of Dec. 31—Argentina is also to be given $3.7 billion in "new loans" during the next three years—all of it "to pay interest."

But the banks won't even hand this money to themselves right away. Instead, the U.S. Treasury, desperate to put on the show that IMF austerity can solve the debt crisis, will give Argentina a $500 million "bridge loan" as soon as the banks sign the deal. Argentina is committed to using that $500 million, plus $250 million of its own, to make overdue interest payments immediately.

For this "agreement in principle" with the 11-bank creditor steering committee to go into effect, it has to be approved by Christmas by Argentina's 350 creditor banks. They will only sign if Argentina agrees to the harsh IMF austerity program: reducing real wages by about 20%, further restricting imports, and exporting everything in sight. Tight money has already caused interest rates of over 1,000%.

Argentine Industrial Union vice-president Arnaldo Etchart termed it, "A very harsh adjustment . . . real wages will fall, business will turn negative."

The banks, of course, may refuse to sign the agreement at all, playing a cat-and-mouse game to further undermine the government. "Nobody is in a hurry to accommodate Argentina," one banker told the *Washington Post*. "There isn't a lot of enthusiasm for Argentina," said another.

Bankers claim that Argentine debt negotiators backed down right after Kissinger's trip in September. "Of course, the earnings are important," said one, "but more significant to most of us is the decided change of mood of the Argentines in this last round."

Bankers told the *Wall Street Journal* Dec. 3 that Argentine President Raul Alfonsín personally has been pressured into concessions. On Nov. 25, a bomb exploded at the site of one of his speaking engagements. The Interior Ministry announced arrests in a second "plot by top people in high places" to kill him. The City of London's *Financial Times* warned Nov. 27 of "a time bomb for Sr. Alfonsín. . . . What would happen in Argentina if the assassin's bullet found its target?"

The Trilateral Commission's use of the debt crisis is political. The banks are not concerned with payment, but with keeping the Ibero-Americans playing the debt game politically, dangling "solutions" which only wreck debtor economies more deeply. The important thing is control over the debtors' economies. Foreign bank representatives in Buenos Aires say that "with a lot of nerve you can make 25% a month profits" on under-the-counter lending to strapped Argentine industrialists and farmers. Citibank, for example, made 20% of its global 1984 profits in Brazil; most of the cash came from loan-shark loans in Brazilian cruzeiros to strapped Brazilian industry.