

Kirchner Positions Himself To Do Battle With the IMF

by Cynthia R. Rush

Argentine President Néstor Kirchner stunned world financial centers on Nov. 28, when he took the bold step of asking his Finance Minister, Roberto Lavagna, to resign. Rumors of a possible Lavagna departure had intensified after the Oct. 23 midterm elections, in which Kirchner's Victory Front coalition won a resounding national showing. But few believed that Kirchner would actually replace Lavagna, the "respected" economist who was supposedly the "mastermind" of the country's economic recovery.

The decision to remove Lavagna was not an impetuous one. As the global financial breakdown accelerates, Kirchner understands that he must position himself to do battle with the International Monetary Fund (IMF), which still insists that the Argentine leader swallow its free-market insanity as a condition for any new agreement. The IMF depended on Lavagna to "rein in" the President, whom they label a "populist," because he won't accept its dictates.

Kirchner's defiance—he has even hinted he might consider writing down the \$9 billion that the IMF insists Argentina still owes the Fund—and his insistence on defending his country's interests and right to reindustrialize, has enraged the speculators, vulture funds, and free-market fundamentalists who had visions of finishing off the looting job they started in the 1990s.

They were shocked when Kirchner's Chief of Staff Alberto Fernández confirmed Lavagna's resignation at the very end of the Nov. 28 press conference called to announce the names of the new Foreign, Defense, and Social Development Ministers. Even more distressing to them was Kirchner's choice of economist Felisa Miceli, president of the state-owned Banco de la Nación, to replace Lavagna.

She's a "nobody," the international financial dailies screamed. She doesn't have the "influence" and political clout

that the "respected" Lavagna has. She won't be tough on fiscal policy. Without Lavagna's "moderating influence" in the cabinet, they bellowed, Argentina is headed straight for disaster, moving further "left" toward Venezuela's President Hugo Chávez. Lavagna was the "voice of reason" in the face of this "madness," cried one distraught University of California economist.

On the contrary. The Argentine President is moving astutely in a global environment shaped by the fierce political battle now shaking Washington, in the center of which is statesman Lyndon LaRouche's "Get Cheney" offensive, and the aggressive organizing of the LaRouche Youth Movement in the U.S. Congress. In the "post-Cheney" climate defined by LaRouche's intervention, important sectors of institutional Washington are now demanding the Vice President's head.

LaRouche emphasizes that this battle in the United States is making world history, right now. Developments in Argentina are significant because they intersect this fight. Like many other foreign leaders, Néstor Kirchner has picked up the smell of impending change in the U.S. Capitol. But he doesn't underestimate the fact that the financial oligarchs behind an increasingly desperate and cornered Cheney, will try to inflict as much damage on their perceived enemies for as long as they can cling to power.

Cheney's neo-con lobby is still smarting from the defeat it suffered at the Nov. 4-5 Summit of the Americas, where Kirchner and Brazil's President Lula da Silva teamed up to oppose the Free Trade Area of the Americas (FTAA). Before delivering a stinging denunciation of IMF policy to the heads of state attending the Summit's opening session Nov. 5, Kirchner also personally warned George Bush that Argentina would leave the IMF, should the Fund continue to demand austerity conditionalities as the basis for any new agreement.

Setting a Trap for the ‘Napoleon Bonapartes’

As LaRouche notes, the Argentine President is positioning himself to let today’s fascist “Napoleon Bonapartes” make the mistakes. International bankers infuriated by Kirchner’s boldness will come barging in with outrageous demands, and Kirchner will undoubtedly go with his best option which is to say “no.” That “no” will gain the sympathy of the entire hemisphere, and therein lies the trap that will ensnare the attackers, LaRouche pointed out. Kirchner is now lining up his assets, to avoid any disruption to his nation’s functioning from that anticipated attack.

The Argentine leader has repeatedly stated since the Oct. 23 elections, that his Victory Front’s solid national showing gives him the mandate to aggressively tackle his policy agenda to rebuild the country. He is moving intelligently to consolidate his *own team* of trusted allies who share his “heterodox” policy outlook. This is a far different situation from May of 2003, when Kirchner came into office with only 22% of the vote and felt compelled to keep Lavagna on as Finance Minister, despite policy differences, and Lavagna’s allegiance to outgoing President, and Kirchner’s political enemy, Eduardo Duhalde.

Since Oct. 23, Kirchner has escalated his campaign in defense of the general welfare, placing special emphasis on a “proactive” role for the state in directing economic development and ensuring equal opportunity for all. In a Nov. 29 speech at the Presidential Palace, the *Casa Rosada*, Kirchner reiterated his “commitment to continue deepening change in Argentina, and to continue tackling the most pressing issues. We know we represent only one moment in history, a brief moment in history,” he said. “We are going to be able to provide the answers that this brief moment in history demands.”

When Lavagna provocatively used his Nov. 22 address to the 53rd annual convention of the Argentine Construction Chamber to counter this optimistic outlook, with the pointed admonition that “the state’s ability to act in certain sectors shouldn’t be overestimated,” he sealed his fate. His attack on construction executives for engaging in “cartelization” to raise the costs of public works projects and reap bigger profits, angered the President, who saw it as undisguised attack on his close political ally, Planning Minister Julio De Vido. De Vido’s infrastructure development program is a central feature in Kirchner’s reindustrialization plan.

As the President underscored in his own later address to the same conference, “it is crucial to understand that public works are central to any country; these are not unproductive public expenditures, as some ‘statisticians’ like to say.” The best way to fight inflation, he added, is to have healthy, productive investment in infrastructure.

Unlike Lavagna, Felisa Miceli agrees completely with Kirchner’s strategy for lightening the country’s foreign debt load, and believes that the country cannot be “corsetted” by IMF policy. As president since 2003 of the state-owned

Banco de la Nación, as well as a 1983-87 stint as head of the public Banco de la Provincia, Miceli has a strong appreciation for the state’s pivotal role in directing economic development and defending the general welfare. The IMF had targeted both these institutions for privatization.

Her appointment also intersects a spirited debate inside the Argentine Industrial Union (UIA) on the need for a national development bank, whose long-term, low-interest credits could help rebuild national industry, and provide the corresponding benefits to the population of more jobs, better training, and higher living standards. The UIA has generally tended to be supportive of Kirchner’s economic policies.

Whither Brazil?

Just two days after firing Lavagna, Kirchner was on a plane to Puerto Iguazú in Brazil, on a mission to win over President Lula da Silva to his audacious strategy, on the 20th anniversary of the 1985 integration agreement between the two nations.

Economic giant Brazil poses a real challenge to Kirchner, because President Lula da Silva’s pragmatic backing for the destructive IMF policies enforced by his Finance Minister Antonio Palocci, has prevented the two nations from consolidating a firm alliance. Not wanting to ruffle the IMF’s feathers, Lula has failed to support Kirchner in his battle with the Fund, thus provoking tensions between the two countries.

But the brawl occurring inside Brazil over Palocci’s policies, which was playing out while Kirchner was preparing his cabinet changes, has created new openings. Opposition to Palocci became so intense during the first weeks of November, that he was rumored to be on his way out. Although he got a reprieve when Lula caved in to the ultimatum from Wall Street’s representatives to keep his policies in place, the issue is far from settled. Lula, the former trade union organizer, does care about his population, as reflected in the report that he is reading a biography of Franklin Delano Roosevelt, and wants to use the São Francisco River diversion project to develop Brazil’s impoverished Northeast just as FDR’s Tennessee Valley Authority did for that poor region of the U.S.

This is what Kirchner appealed to in his upbeat and very personal speech in Puerto Iguazú, and in remarks emphasizing that Brazil and Argentina must continue to work decisively together as a team, the way they had done at the Summit of the Americas, to serve as the crucial axis for South American integration. The issue of Argentina’s upcoming “hard negotiations” with the IMF was on the official agenda, but what came out of the two Presidents’ private meeting is not yet known. But, Point 4 of the final communique issued from the meeting states:

“Presidents Lula and Kirchner will jointly defend the position, regarding multilateral credit institutions, that the imposition of conditions which affect the ability of Governments to promote policies of growth, dignified work, and social inclusion, must be avoided.”