

Will Argentina become the IMF's next drug economy?

by Cynthia Rush and Juan José Balatti

Over the past year and a half, Argentina has undergone a dangerous cultural transformation. The country that has always been characterized by optimism, positively influenced by European classical culture, is sinking into the inferno of the drug culture.

Its industrial and agricultural production are victims of the International Monetary Fund's disastrous policies. Recently released statistics show that between 1975 and 1985, 196,000 industrial workers lost their jobs; once active industrial areas on the outskirts of Buenos Aires, where factories have been shutdown, are now referred to as "scrap iron cemeteries."

As an adjunct to this economic decay, Argentina has joined the ranks of the drug-consuming nations. Consumption of marijuana, cocaine, and toxic inhalants is soaring, especially among youth. It is now commonplace for police to search teenaged youth as they enter schools, looking for drugs; youth gangs, sometimes with children as young as 12 and 13, perpetrate much of the street crime occurring in Buenos Aires, robbing to pay for marijuana. And now Buenos Aires shares with other capitals of the world the dubious distinction of having "punk" gangs roving its streets.

At the crossroads

The country is under siege, economically and culturally. Faced with this warfare, President Raúl Alfonsín has the option of joining Peru's Alan García, to forge Ibero-American unity around a perspective of development and cultural optimism. Instead he has chosen to follow García's predecessor, Fernando Belaunde Terry, who permitted banker Manuel Ulloa to use his position as finance minister to turn Peru into a drug economy.

Sometime in October, Alfonsín is expected to submit a bill to Congress which, if approved, will allow individual citizens to declare taxable income, earned domestically or abroad, *without having to reveal the origin of that income*. The revenues generated by this money-laundering legislation, will allegedly be used to make interest payments on the foreign debt, and help reduce the budget deficit.

The appropriately named "whitewash law" (*ley de blanqueo*) will protect those who illegally used foreign exchange obtained from the exchange markets, those who have engaged in capital flight over the past 10 years, and those whose

income includes dollar-denominated foreign debt bonds, if they declare their income and pay taxes on it by December.

It is unlikely that passage of the bill will bring any quantity of funds back into the country, despite the government's stated purpose. What it will do is enhance the power of the money launderers, speculators, and drug-bankers, who have established themselves in Argentina over recent years, as industry collapsed.

Moreover, this legislation is a decision to officially "forget" about the eight-year period (1976-83), during which Henry Kissinger's banker and military friends directed an orgy of illicit, speculative and drug-related financial operations, including contracting a large amount of phony foreign debt.

Alfonsín came into office in 1983 vowing to investigate the illegitimate foreign debt and illicit financial transactions carried out by Kissinger's friends. Now, Treasury Secretary Mario Brodersohn is calling for a more "pragmatic" approach to obtaining new revenues, even if this means using dirty money.

Austral Plan a flop

These recent policy decisions only reflect the fact that the IMF is tightening the screws on Argentina. Alfonsín's much-heralded "Austral Plan," imposed at the behest of the IMF in June, 1985, hasn't done its job. It did reduce workers' wages and living standards, and gutted industrial and productive activity through the imposition of prohibitively high interest rates. But it did not generate all the revenues necessary to pay Argentina's foreign debt.

On Sept. 7, government officials announced in Washington that they had negotiated a 180-day postponement in payment of \$10 billion in debt obligations. Argentina has lost billions in income because of the drop in price of its export commodities.

Nor did the Austral Plan keep inflation under control, its primary objective. In July, the inflation rate suddenly moved up to 6.8% from earlier monthly rates of 4% and 5%; and in August, it jumped to over 9%.

On Aug. 29, Finance Minister Juan V. Sourrouille went on national television to announce a new package of austerity measures, dubbed the "Australito," or little Austral Plan. This includes new wage and price controls, strict control of

the money supply, and maintenance of positive real interest rates. Wage increases will be limited to between 3% and 4% a month, and price increases and increases in public-utility tariffs to 3% in September and 2% in December.

The new measures aren't expected to keep the lid on the explosive economic crisis. What the IMF's free-enterprise cultists are demanding now is the right to squeeze the last ounce of loot out of the population, which they call "opening up the economy." As conditionalities for a new standby agreement, negotiations for which are now under way, the IMF wants Argentina to lift all restrictions on imports, remove other mechanisms which protect domestic industry, and allow greatly increased foreign investment, especially in the extractive industries like oil.

The government has also just presented a project to capitalize a portion of its foreign debt, allowing creditors to convert debt into equity in state-sector companies which are slated to be "privatized." Industry and Commerce Minister Roberto Lavagna, the only Peronist in the cabinet, swears that the debt capitalization project will not hand portions of the economy over to foreign interests, because it includes stipulations for "fresh funds" to be provided for private investors. But underneath, it is nothing more than Henry Kissinger's plan: You can't pay your debt, so give us your country instead.

Drugs legalized

The Argentine Congress is abetting this process of cultural and economic decay.

In late August, the Senate approved a bill which legalizes the "acquisition and possession of drugs for one's own immediate consumption, when the quantity and the means do not jeopardize the health of third parties." The law, which was subsequently approved by the lower house of Congress, removes all penalties from the cultivation of plants used to produce drugs, the purchase of raw materials or elements needed for their preparation, or import of these drugs into the country, as long as the quantities are only for "personal consumption"!

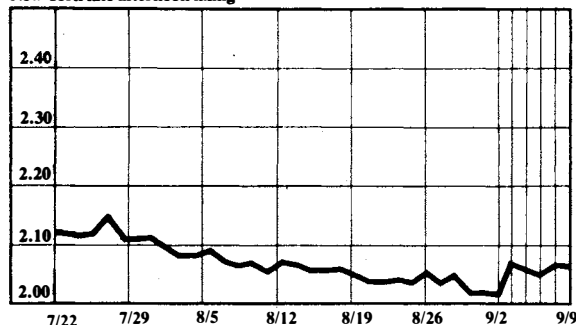
The vote in the Senate was not unanimous, although it had the support of members of the ruling Radical Civic Union and the opposition Peronist party. Radical Senator Lorenzo Cortese stated that "possession is a crime in existing legislation. This must be maintained. . . . Possession, although it may be the last link, is part of the traffic. The possessor, represents the risk of a new transfer [to others]." Dr. Elias Neuman addressed a broader point: "Among the new groups of delinquents, are those who commit crimes from the boardrooms of banks, financial institutions, transnationals. . . and the inductors who sell the human being to drugs, and not drugs to the human being."

Argentina's Supreme Court put the crowning touch on the package when it ruled in early September that laws penalizing drug possession are unconstitutional. Its rationale was that the court could not rule on the "private" actions of men."

Currency Rates

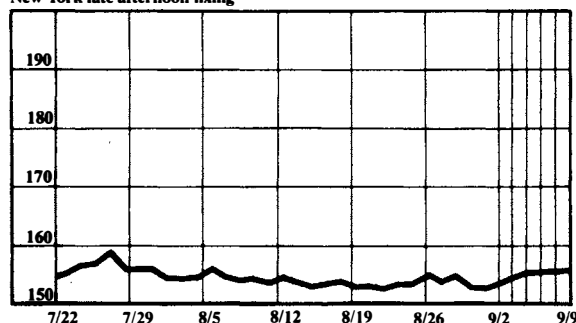
The dollar in deutschemarks

New York late afternoon fixing



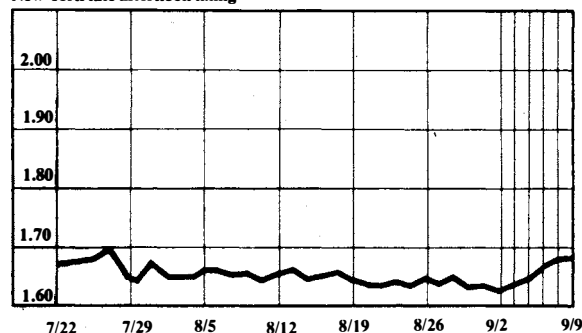
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

