

# Legitimacy of Debt Debated in Argentina

by Gonzalo Huertas

Pope John Paul II's initiative to commemorate the Great Jubilee of the Year 2000 with a call for the international banking community to forgive part of the foreign debt of the world's underdeveloped countries, has opened up the possibility that a change in economic policy can be forced upon the government of President Fernando de la Rúa.

On June 6, after meeting with a mission from the International Monetary Fund (IMF) which had come to review the nation's economy, the leadership of the Argentine Catholic Bishops Conference announced that its president, Msgr. Estanislao Karlic, had conveyed his concern about the "weight of the foreign debt" to the IMF officials. However, Archbishop of Buenos Aires Msgr. Jorge Bergoglio refused to participate in the meeting, because, as the daily *Clarín* reported, he "felt his differences with the institution were too great."

The president of the Congress's Bicameral Jubilee 2000 Commission, Justicialista (Peronist) Party legislator Mario Cafiero, with the backing of Monsignor Karlic and Cardinal Raúl Primatesta, then announced that public hearings would be held on Aug. 22, to debate "the question of the debt" and its "reconsideration."

On July 15, the newspaper *La Nación* revealed that Judge Jorge Ballesterio of Federal Court No. 2 had ruled on a suit related to the Argentine foreign debt accumulated during 1976-82, which had initially been filed on April 18, 1982 by Alejandro Olmos, with 12 additional charges added over the past 18 years, the majority principally directed at former Finance Minister José Alfredo Martínez de Hoz (1976-81).

Ballesterio ruled that "the existence of an explicit link between the foreign debt, the entrance of short-term foreign capital, high interest rates on the domestic market, and the corresponding sacrifice of the national budget since 1976, could not have gone unnoticed" by the IMF authorities who supervised the negotiations. He said that the increase of the foreign debt was produced by mechanisms "that tended . . . to benefit and sustain private companies—both domestic and foreign—to the detriment of state companies." Ballesterio did not find Martínez de Hoz guilty, but he sent his ruling to the Congress, for it to establish political responsibility for the "irregular" creation of the debt burden of Argentina.

## Battling It Out

The so-called "rebel" faction of the General Federation of Labor, led by trade unionist Hugo Moyana, has thrown its support behind both the Papal initiative and the ruling by Judge Ballesterio. Moyana pulled together more than 20,000 people in Buenos Aires on July 26, to demand that Congress investigate, and declare a moratorium on foreign debt payments. Among the slogans at the demonstration was the charge that "The Foreign Debt Is Immoral." Moyana denounced the government for "not wanting to talk about the debt for fear of its masters," the IMF, and called upon the government to "stop lying, and begin to govern for the people." Moyana criticized those politicians who are afraid to speak out on the debt, for fear that this will scare off foreign investment. "Fifty-five children are dying every day from diseases that had been eradicated. But to them, this is just a statistic."

Carlos Ruckauf, Governor of Buenos Aires province, the country's most populous, called on the de la Rúa government to form a "political bloc" with neighboring countries, all of whom, he said, have an "unpayable foreign debt." Ruckauf has instructed the province's 35 deputies and two senators to organize support for this proposal in the national Congress.

Fervent opposition to the Pope's Jubilee initiative, however, is coming from the misnamed Christian Business Leaders Association (ACDE), followers of the free-trade Mont Pelerin Society, which is mobilizing against all discussion of debt forgiveness. ACDE president José María Simone and the board of directors met with the Bishops Social Justice Commission under Cardinal Raúl Primatesta, to urge that the Church "not insist on that position, because it could prove counterproductive for the economic health of the country." ACDE also tried to get Cafiero to back off.

The ACDE issued a document which argued that "Argentina cannot seek to be categorized along with the highly indebted poor nations, and ask that part of its foreign debt be forgiven," because that would destroy "confidence in the country, and would block access to development financing, driving away both foreign and domestic investors," since this would be viewed as "default."

Yet, either the debt is paid, or nothing else. According to *Clarín* economist Daniel Muchnik, in the first half of this year, Argentina paid \$4.739 billion in interest on its foreign debt, "more than the money allocated in the budget for public works construction for the entire year." The only way the government can meet its foreign debt obligations is "to lower wages, social security payments, and to paralyze public investment," because they have already sold off "grandma's jewels" to the holders of the debt, who made a killing. Yet, "the debt continues to rise. And it is growing because the [budget] deficit is being covered over with new debt, and because the interest rate that Argentina pays . . . is rising." According to the government's data, official foreign debt in December 1999 reached \$144.657 billion, an increase of \$83.322 billion over the past decade.