

Argentina's Cavallo Is Jailed; Now Free Colonel Seineldín!

by Cynthia R. Rush

On the morning of April 3, the international financial community was stunned to learn that Argentina's former Finance Minister, Domingo Cavallo, had been arrested in Buenos Aires, on charges related to illegal arms sales to Ecuador and Croatia during 1991-95, when he served in the cabinet of then-President Carlos Saúl Menem. Cavallo had gone before federal Judge Julio Speroni that morning to answer questions about the case, expecting to be there a short time, after which he hoped to board a plane for the United States, where he was scheduled to attend the Washington, D.C. conference of the Trilateral Commission.

Instead, Judge Speroni ordered Cavallo's arrest on charges of "aggravated contraband," and had him taken to the National Gendarmes' prison, where he was confined to a sparsely furnished room, bereft of computer and television. Due to "new elements" which had emerged in the case, and the scope of the illegal activity in which Cavallo might be charged—as Finance Minister he was responsible for the national customs agency which would have overseen the arms contraband—the judge said that he, in good conscience, could not allow Cavallo to go free. The three secret Presidential decrees authorizing the contraband, which had been signed by Cavallo, permitted 6,500 tons of weapons to be taken from Argentina's military stocks, and sent to Ecuador and Croatia. On paper, they had been destined for Panama and Venezuela.

On April 10, Judge Speroni ordered Cavallo into "preventive detention," and embargoed \$900,000 worth of his assets. Unless Speroni agrees to release him, which he has thus far refused to do, Cavallo will remain in jail until the case goes to trial. The crime with which he is charged carries a 12-year jail sentence.

A Tale of Two Jails

Cavallo's arrest brought joy to many Argentines who correctly see the hated former Finance Minister as the architect of the horrifying breakdown crisis gripping the nation. He embodies the International Monetary Fund's (IMF) anti-human free-market ideology, which has devastated Argentina's once-productive economy and thrown almost one-half of its 37 million people into penury. With the austerity-based currency board, or "convertibility" system he imposed in 1991,

by which the peso was pegged to the dollar in a one-to-one relationship, Cavallo eagerly smashed every one of Argentina's proudest nationalist achievements, which qualified it for "star status" in the IMF's eyes. He travelled internationally to tout the success of the Argentine "model."

He didn't even really think of himself as Argentine, but rather the "Harvard man," who moved with ease among the highest levels of the Anglo-American financial establishment, counting drug legalizer and global speculator George Soros among his collaborators. His mentor and closest friend was former U.S. Deputy Treasury Secretary David Mulford, now a top executive at Crédit Suisse First Boston, with whom he planned and carried out shameless looting of the Argentine economy.

Given this pedigree, Cavallo's imprisonment carries a broader meaning than the joy it brings to Argentine patriots. Contrasted with another jailing—an unjust one—of nationalist former Colonel Mohamed Alí Seineldín, the hero of the 1982 Malvinas War, who has been held as a political prisoner for 11 years, it brings into stark relief the choices before Argentina today, and the battle that must be fought out, if the nation is to survive.

Although he was sentenced to life in prison because of his unflinching defense of national sovereignty and opposition to globalization—he tried to defend the Army from the high command that agreed to dismantle it—he is perceived as an even greater danger today because of his support for U.S. Presidential pre-candidate Lyndon LaRouche's New Bretton Woods proposal, and his participation together with LaRouche's Ibero-American Solidarity Movement (MSIA) in the Brazilian-Argentine "Moment of Truth" seminars. These gatherings, which have grown in number and importance, have forged a regional alliance to challenge the neo-liberal, free-trade policies that have destroyed Argentina, and are sowing upheaval in Brazil and the rest of Ibero-America.

In an April 4 interview with the "Speaking the Truth" program on Brazil's Radio Bandeirantes, Seineldín stated that "the only person who has a project to rebuild the world is Lyndon LaRouche and his movement. Neo-liberalism is destroying everything, and the only proposal we back is Lyndon LaRouche's. *That is our economic program.*" He concluded

with the optimistic statement, “To all my Ibero-American brothers, I say that this confusion and destruction imposed on us by the world’s powers, will end. Don’t lose faith or optimism. Think of God and our forefathers. Our time will come. I envision all our Ibero-American brothers united. Have faith, that the future will come.”

The interview with Seineldín took place in the context of the April 2 conference in Rio de Janeiro, which brought together military and civilian patriots from Brazil and Argentina, to commemorate the 20th anniversary of both Argentina’s April 2, 1982 retaking of the Malvinas Islands from Great Britain, and of the issuance of Lyndon LaRouche’s historic *Operation Juárez*, which proposed the formation of an Ibero-American debtors’ cartel and bold infrastructure development, to free the continent from economic and debt slavery.

LaRouche’s document “Twenty Years Later,” and a message by Seineldín, were read at the conference in Rio, and at the First Ibero-American Congress on the Malvinas and South Atlantic, in Buenos Aires on March 26 (see *EIR*, April 12, 2002).

Seineldín Up, Cavallo Down

As Argentina’s crisis has deepened, and its political leadership becomes totally discredited, Seineldín has risen in political stature. Buenos Aires press accounts have placed his standing in popular polls for upcoming Presidential elections at 10-13%—although Seineldín insists he is not running. He is often consulted by radio and television stations on matters of national importance, and has given upwards of 1,000 interviews over the past year, despite his imprisonment. Most recently, he warned that the Anglo-American establishment is planning a “non-traditional” coup, and “controlled civil war” in Argentina, laying the basis for possible intervention by the United Nations or the Organization of American States (OAS). Former President Carlos Menem, whom Seineldín labels a “peon” of the Anglo-American establishment, is a central figure in those coup plans, according to the Malvinas war hero.

Against this reality, Anglo-Americans feel a well-founded fear that Cavallo’s arrest calls into question the *entirety* of the usurious policies imposed on this country since 1991. The stench of criminal activity associated with these policies, including illegal capital flight, drug-money laundering, and all manner of corruption, is the same one emanating from the Enron scandal in the United States.

Cavallo is not only under investigation for the case of the arms contraband to Ecuador and Croatia. On April 25, he is scheduled to appear before Judge Jorge Ballesterro, who is investigating criminal activity associated with the June 2001 “mega-swap” of \$30 billion in Argentine debt, an operation personally overseen by Cavallo and his mentor, Crédit Suisse’s Mulford. Ballesterro, who has spent years investigating the illegitimacy of Argentina’s foreign debt, has received voluminous documentation from Peronist and Alternative for

a Republic of Equals (ARI) legislators, charging Cavallo with “treason” for orchestrating a financial operation so obviously detrimental to Argentina’s national interests, and patently illegal.

There have been calls to subpoena Mulford for questioning in this case, regarding the payment of hefty commissions to seven foreign banks involved in the swap, whose role as intermediaries was rife with irregularities. Moreover, the swap’s usurious terms—bonds were swapped at an average interest rate of 15.3% compared to the 7% average rate on the original bonds—mean that over the 30-year life of the swap, Argentina would pay \$52 billion *more* in interest than it would have otherwise! This is a violation of Argentine financial law, which states that the terms of any debt swap must be more favorable than those of the originally contracted debt.

On April 3, upon hearing the news of Cavallo’s arrest, ARI legislator Elisa Carrió spoke on the floor of the Argentine Congress, expressing not only her “immense joy,” but also optimism that the arrest would allow for progress in the mega-swap case, in which both Cavallo and former President Fernando de la Rúa would be charged with treason.

Fully aware of the implications of the Cavallo arrest, London and Wall Street are screaming bloody murder, arguing that their poor man is being victimized. On April 4, the *New York Times* trotted out British intelligence asset Rosendo Fraga, who charged that Cavallo’s arrest is part of a broad government campaign of “going after banks and foreign investors” in order “to create a distraction” from the current breakdown collapse. Over the past several months, Argentine police have raided several banks, most of them foreign, as part of an investigation into illegal capital flight and money-laundering that occurred with impunity over the past decade.

Anglo-American shrieking about Cavallo’s “mistreatment” is coherent with the IMF’s demand that Argentine President Eduardo Duhalde eliminate all remaining obstacles to foreign looting, as a condition for getting new money. The IMF demands that the national bankruptcy law be changed, because it is too “lenient” with debtors and violates “creditors’ rights.” The economic subversion law, under whose aegis some of Cavallo’s dirty banker friends have been arrested, should also be eliminated, the IMF says. Otherwise both laws—just like Cavallo’s arrest—prove that Argentina offers no “juridical security” to foreign investors.

Duhalde would do better to heed the advice of Cardinal Raúl Primatesta, president of the Social Pastoral Commission of the Argentine Catholic Bishops Conference. During a March 31 meeting with Duhalde, Primatesta’s representatives conveyed the Cardinal’s sentiment that the Argentine President “not give in to the degrading conditions of the IMF, which would involve more cuts,” and to instead consider certain social measures. During a phone call to Duhalde, Primatesta said, “We believe the Fund’s requests are going to bring more hunger, more unemployment, more recession. Definitely, no possibility of growth for Argentina.”