

THE EFFECTS OF THE ECONOMICAL FINANCIAL CRISIS IN THE SOUTH AMERICAN BALANCES - THE ARGENTINIAN CRISIS -

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**“Gli effetti della crisi economico-finanziaria
negli equilibri sudamericani
(la crisi argentina)”**

In tackling the question of the 2001 – 2002 Argentine crisis we are interested in this circumstance not as much as in finding the economic-financial “Cause” (with a capital “C”) that generated bankruptcy, like it had been defined by international press, of the Argentine state. We shall leave up to the numerous bourgeois economists that during the years have faced this question the burden to individualize which ingredients of the alchemy potion have been “erroneously” manipulated by the various wizards of the bourgeoisie (head of government, ministers, whole administrations).

The goal that we prearrange ourselves in this article is that of understanding instead *how* and *if* that crisis has had some effects in the relationship between Argentina and the other powers of the south American area, in primis with United States. Therefore to analyse *if* and *how* a crisis, surely of considerable entity, but that involved just one state anyway, has led that state to redefine all of a series of international relationships, in the Latin – American scenario, to the advantage of a regional emerging power, Brasil, to the detriment of USA imperialism. That is to say if the economic - social Brazilian formation has succeeded, following the disclosure of new manoeuvre spaces in the south America area, to erode the American influencing sphere, in the limits dictated by the respective force relationships.

To understand this can help us to better understand within which limits the present economic – financial crisis, in its unfolding and deepening, can influence United States hegemonic action in their *garden house*, possible rupture front of the present world balance

The Brazil - Argentina relationship in the frame of South American integration process.

Starting from the eighties Brazil amplifies its own international protection, intensifying its relations with other South American countries and in particular with Argentina. 1988 Brazilian constitution itself in one of its articles defines as a national goal "*the research of the economic, political, social and cultural of the peoples of Latin America*"-

A process that, although among various difficulties, succeeds to express itself even after the eighties crisis¹. Mercosur itself was born as an expansion of the bilateral relation Brazil-Argentina encompassing all of the countries of the *South cone*, the historical and primary area of the Brazilian influence. If in 1985 the level of internal exportations of the countries partakers of the treaty were equal to about 1,9 billions of dollars, in 1993, two years after the definition of the Mercosur, it reached 10 billions. Strong and weak points of the Mercosur, above all from the Brazilian point of view, are characterised by the *asymmetries*. Strength as Brazil acknowledges to other powers the right to impose protection

government taxes on determined goods, to the aim of safeguarding national interests. All of this allows Brazil to exercise its influence dragging the nationalistic instances back to a discussion within the boundaries set by Mercosur, at least till a certain extent. Weakness as such taxes, that can vary in time, if reaching a certain "critical" threshold can reduce Mercosur global value, as a free exchange treaty. By consequence its function as an instrument against the economy state making instances carried on by the weaker countries of the area is lacking. Brazilian capitalistic interests find major obstacles on their path, and South America centralizing force role is restrained.

The Brazil-Argentina convergence, sanctioned by the birth of the Mercour, even if it was born under the best omens, started nearly at once to show signs of collapsing. Collapse that led to an explicit resizing sanctioned in 1993, when the then Argentine president Carlos Saul Menem shifted in a more decided way under the United States sphere of influence. The convergence between Buenos Aires and Brasilia weakens in favour of a major world imperialism.

In 1989 Carlos Saul Menem is elected President of Argentina, he belongs to the Peronist Party (PJ-Partido Justicialista) and is the ex-governor of the province of LaRoja.

His policy, set on the compliance to the dictates of the *Washington Consensus*, leads the country to the achievement, in the nineties, of a strong economic development.

The parity with the United States dollar according a to report 1:1 (exchange plan *Currency Board*) conceived by the then Economy minister Domingo Cavallo succeeds in halting galloping inflation and in giving impulse to the economy. A system that necessitates, on the contrary, of a continuous capital influx from abroad.

From 1991 to 1995 the growing rates of Argentine PIL register values around 8%: in 1991 the PIL growing rate reaches +9,5%; in 1992 +8,5%; in 1993 +5,6% and in 1994 +8,0%. Things though start to deteriorate already starting from 1995, till they reach disaster in 2001 and 2002: in 1995 PIL growing rate touches the negative figure -3,1%; in 1996 the positive figure +4,3%; in 1997 +7,7%; in 1998 +4,8%; in 1999 the negative -3,5; in 2000 -0,8%; in 2001 -4,5% and in 2002 -11,5%².

The Argentina crisis

The crisis of the *Currency board*, that is of the system of the fixed exchange with the United States dollar that actually deprived the Banco Central of its own prerogatives as regards monetary policy, started to begin in 1995, but realized itself only in 1998, then to reach the apex in 2001 and 2002.

Till 1998, with the exception of the year 1995, Argentine economy has come to know considerable improvements both from the "real" point of view, both from the financial point of view. A period characterized by the increase of the internal demand, by the raise of the investments and consumptions level.

In 1990 the Argentina PIL registers a value equal to 212.518 millions of international dollars at 1990 constant prices (International Geary-Kamis dollars), in 1991 touches amount 233.770, in 1992 254.575, in 1993 269.341, 1994 291.696, in 1995 it decreases touching the amount of 282.653, in 1996 raises again and reaches the amount of 295.090, in 1997 318.698, in 1998 334.314, in

1999 it decreases and reaches the amount of 322.924, in 2000 320.364, in 2001 306.237 and in 2002 goes down till 272.876³.

In 2002 therefore the Argentine PIL returns to the 1993-1994 levels, going back of about ten years.

What happened then towards the end of the nineties? A series of regional financial crisis that struck various countries, that is the Asian tigers crisis, the *default* of the debt in Russia and the devaluation of the Brazilian currency, have made foreign capitals, above all of United States and European matrix, more "timorous". Argentina in this way assists to its raise as a risky country, as part of the developing "risky" countries, and the influx of foreign capitals begins to diminish.

The lack of capitals influx and the raise of tax interest levels carry Argentina economy to a phase of depression and profound recession.

Currency board politics without the constant foreign capitals influx, not being able to act upon the monetary policy to give a bit of breath to exportations and therefore to internal production, reveals in the end quite counter productive. The FMI continues though to make pressure on Argentina not to modify its own economic policy, releasing funds to buffer the crisis. Which only leads to a prolonged agony.

The FMI stops therefore to release funds to Argentina that has become blatantly unfulfilling and the government declares the debt *default*.

In the 199 elections the government PJ party is defeated and Fernando de la Rúa of the UCR party(Unión Civica Radical) is elected as Argentina new president.

In 2001, in the middle of the unfolding crisis, president de la Rúa finds himself helpless in the face of the events, recession continues as well as popular upheavals and strikes. After the bloody police repression during a popular upheaval in Buenos Aires, deprived of the full support of the government coalition parties, president de la Rúa resigns.

The various regional governors gathered in a special council, with the consent of the government majority, elect the then governor of the Buenos Aires Province, Eduardo Duhalde, to the rank of president. This one puts an end to the *Currency board* policy and leads the PJ party to the 2003 elections.

The Pj reaches the electoral confrontation virtually split in two factions, proposing two antagonist lists: one led by Nestor Carlos Kirchner, ex governor of the Santa Cruz Province, called *Frente par la Victoria*, the other led by the ex president Carlos Saul Menem, called *Frente por la lealtad - Union de Centro Democratico*.

At the second ballot Menem retires, in the polls his adversary registered a consensus level superior to 60% , and Kirchner becomes the new Argentina president.

The new Argentina administration restores the flexible exchange of the Peso, the Argentina currency, with the intention to lower the then high interest rates. Such monetary policy gives breath to the economy, enhancing the investments level and laying the basis for a new agreement with FMI. For the Argentina capitalistic interests the light seems to flicker at the end of the tunnel, but relationships with the United States seem irremediably compromised.

Argentina at the beginning of the nineties sees in the compliance to the dictates of the *Washington Consensus* the possibility to economically reinforce itself, by becoming an alluring market for foreign capitals first of all of United States matrix. USA on the contrary carries on with its liberalistic policy, envisaging in

the opening of the developing countries markets the possibility to export its capitals to the aim of extracting great amounts of world plus - value. In this Argentina and USA interests, given the respective relationships of strength and given the different levels of economic-social development, have found a convergence point. But with the profound economic-financial crisis that Argentina has known starting from 2001, things have changed.

In times relatively recent, especially after Kirchner election, we are assisting to a re approaching of Argentina to Brazil, first of all as regards the directives in foreign politics.

In the recent Bolivian crisis⁴ Argentina rallied in support to Brazil, giving momentum to the mediating and resolving action of the Brazilian president Luis Ignacio Lula da Silva. In the last G20 Brazil and Argentina have come to the appointment with a common position, denouncing that the present economic financial crisis is the outcome of an unwise management of the western countries (first of all the USA). The recent Brazilian intention, officially expressed by president Lula himself, of wanting to count more in the FMI decisions, has been received positively by the present Argentina administration, like it has been positively received Brazilian “revival” of the UNASUR, the super free exchange treaty of South America, actually alternative to the USA project ALCA.

On the contrary the relationships United States-Argentina have become more difficult. The ghost of the Argentina crisis still looms threateningly in the relationships between these two countries, reinforcing Brazilian position.

We think that the Argentina case, in the light of these factors, can be taken as a meaningful example of how an economic financial crisis, in this case relative to just one country and that has led this same country on the brink (if not beyond) of bankruptcy, can weigh, within certain limits, on the international relationships among the States. Specifically Argentina, that approached to the USA and fully subdued to the dictates of the *Washington Consensus*, after the 2001 crisis headed again towards the less suffocating Brazilian neighbour, in the hope of finding a support, although dominating, with which to carry on its own capitalistic interests.

Argentina crisis, with the complicity of the FMI policy captained by the USA, has created a void in the bilateral relationships between this country and United States imperialism, void that Brazil seems to want completely to fill up.

It is still early to affirm if the present economic financial crisis has the potentialities to generate other “voids of power” in the South American area. The fact is that some precedents, within the limit of their particularity and regionalism, do exist and to them we can refer to frame better the present events evolution.

NOTES:

¹ See to this regard the article “South America: the debt crisis of the eighties” in the issue n.23 of *Prospettiva Marxista*.

² Angus Maddison”*Historical Statistics of the World Economy*”: 1-2006 AD.

³ Op.cit.

⁴ see to this regard the article “The Bolivian question” in the issue n.24 of *Prospettiva Marxista*.