

The globalization of industrial Argentina

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On May 30, Dope, Inc.'s flagship bank, the Hongkong and Shanghai Banking Corp. (HSBC), appropriated the important Argentine investment company Roberts Sociedad Anónima de Inversiones, for slightly less than \$600 million. The buy-out represents the high point, thus far, of the ongoing process of globalization of the Argentine financial and economic system, following six years of privatizations.

The process began with the sell-off of the state oil, telecommunications, and sanitation companies, Yacimientos Petrolíferos Fiscales, Empresa Nacional de Telecomunicaciones, and Obras Sanitarias de la Nación, respectively. It has continued with electricity companies, gas transport companies, various dependencies of the Armed Forces industrial complex Fabricaciones Militares, the highways, social security, and more. On the list for upcoming privatizations are the country's nuclear centers, airports, the postal service, the National Mortgage Bank, the Banco de la Nación Argentina, and the Argentine-Paraguayan hydroelectric complex, Yacyreta.

The 'Tequila effect' killed Argentine banking

The "objective" condition that led to the HSBC buy-out was the weakness of the Argentine banks which, after the so-called "Tequila effect" (the debt bomb explosion in Mexico, in December 1994), were left fatally wounded. Despite all efforts by both the Argentine government and local bankers to hide it, some \$9 billion fled the country at that time.

As one of Argentina's most serious economic commentators, Daniel Muchnik, stated recently in the Buenos Aires daily *Clarín*, the Tequila effect "made the whole structure tremble, and forced the system to establish a security net, by putting together security funds, special funds, and deposit insurance. The rising rate of [loan] delinquencies was another left to the jaw of the system." According to some specialists, Muchnik added, "the banking system would not survive another flight from deposits. And the concern of the international rating agencies is the country's foreign accounts, which are in the red, and which are being covered with still more debt."

Seconding Muchnik's warnings, Goldman Sachs director

Gerald Corrigan told the National Bank Convention '97, organized by the Association of Argentine Banks (ADEBA) on May 19-21, that in Argentina, "The main component of the interest rate is the cost of sustaining the high levels of delinquent and uncollectable debt in the system. . . . The number of problem loans is high, and limits to the functioning of the banks are formidable. The priority of the financial system for the future is to reduce the weight of delinquent loans."

According to Economics Ministry figures, the "irregular" portfolio of the Argentine banks is approximately \$14 billion, while the totality of the Argentine financial sector's foreign debt is nearly \$16 billion. It is these conditions of weakness and actual bankruptcy which led Economics Minister Roque Fernández to establish a formal framework for the big grab. And, it would appear, the ADEBA meeting served as a forum where the globalization of the Argentine financial system was agreed upon.

In 1993, when he was president of the Argentine central bank, Roque Fernández issued a directive which forced banks to hold a minimum of 11.5% of their assets in reserve, while the norm of the member central banks of the Bank for International Settlements in Basel, was to set a reserve minimum of 8%. At the time, he explained that this requirement was due to "the volatility of the economy, the dependency on foreign factors, and the risks incurred by an economy in transformation," according to *Clarín*.

As *Clarín* reported: "On bonds of under 90 days, the banks are required to hold 20% in reserve, which is one of the highest ratios in the world. The same holds for reserve ratios against assets that are considered risky: It is 12%, as compared to 7% for the rest of the region. And between now and the year 2000, local banks have to get their hands on \$4 billion on top of their profits, to improve their capitalization ratios." *Clarín* concluded that these conditions "are too stringent, in terms of capital, for the domestic banks."

The result is that the combination of the "Tequila effect" and Roque Fernández has literally driven local bankers out. Of the five most important private Argentine banks, four have changed hands, with the effect that foreign banking has gone from participation levels of 7% in the local market eight years ago, to 20% today. Further, they have gone from holding an historic 15% of the system's deposits, to 30% today. On Jan. 31, 1997, only 147 financial entities were operating in Argentina, compared to 205 that were operating in December 1994.

Dope, Inc. moves into Argentina

It is precisely these circumstances which create the ideal conditions under which international bankers can move on Argentina. The disembarkment was headed by Hongkong and Shanghai Banking Corp., which, as *EIR* has stated in the past, "is like a deadly parasite which invades a sick victim." Hong-Shang, the lead banking establishment of that multinational

corporation known as Dope, Inc., has just taken over two important banks of Brazil and Mexico, and now of Argentina. The HSBC representative in Argentina, Peruvian Marcos Brujís, euphorically stated that “with Roberts [Argentina] and Bamerindus [Brazil], we are now very well positioned on both sides, for what we hope will serve us to capture the commercial current” of South America’s Southern Cone. “This gives us a comparative advantage, because there is no other group in the region with such coverage.”

Thus, HSBC completed its purchase of 100% of Roberts, of which it had previously bought 30% of Banco Roberts (owned by Roberts S.A.), through its subsidiary, Midland Bank. Three months earlier, HSBC’s president, Knight Commander of the Order of the British Empire Sir William Purvis, had arrived in Argentina to meet with Argentine President Carlos Menem, and with Economics Minister Roque Fernández. As Enrique Ruete Aguirre, a high-level executive of Roberts S.A. de Inversiones, reported to *Clarín* on May 31, Sir Purvis “came to see if the house was in order, and if the region was right for HSBC.”

With its purchase of Roberts, HSBC now owns the following properties in Argentina: Banco Roberts (70% participation), which holds 15% of the Argentine financial system’s deposits; Máxima AFJP (35% participation); Docthos (100%); Buenos Aires Seguros (97% participation); the Buenos Aires-New York Life Seguros de Vida, Alpargatas (12% participation); and Tower Fondo de Inversión, which holds \$75 million worth of capital.

Other HSBC investments in South America are: Brazil, Bamerindus; Chile, Banco de Santiago (4%); Mexico, Serfin (20%); and Peru, Banco del Sur (10%). It has 500 branches in 78 countries around the world.

Prior to HSBC’s arrival in Argentina, came its Chilean representative, in the form of the Chilean company Lusik, which bought up Banco Tornquist, S.A. To HSBC’s assault on Argentina can be added Nova Scotia Bank, another Dope, Inc. bank, of Her Majesty’s Canada, which is currently negotiating to add another 26% of the stocks of Banco Quilmes, to the 25% it already owns.

Other banks with murky backgrounds have also arrived in the country, such as Spain’s Banco Bilbao Vizcaya (BBV), which last October bought the Banco Francés, and in the second half of May 1997 acquired 71% of the Banco de Crédito Argentina, with the intention of merging the two. BBV also has investments in Mexico, Puerto Rico, Panama, Venezuela, Colombia, and Peru.

Also joining the avalanche against Argentina is the Swiss group Socimer Finance Group, through its Argentine subsidiary. On May 19, Socimer de Argentina acquired Banco Patricios, for the purpose of merging it with another of its acquisitions, Banco Medefin-UNB. Banco Patricios, through its branches, the privatized provincial banks Nuevo Banco del Chaco and the Banco de Formosa, has majority control over agricultural credit in the provinces of Chaco and Formosa.

Diego Marynberg, director of Socimer de Argentina, explained to *Clarín* that his group is interested in producing cotton in these provinces. “The two provinces together are the fourth largest cotton producers in the world,” he told *Clarín* (see box).

Mexico’s Banamex bought 30% of Basud S.A.; France’s Credit Agricole bought Banco Bisel, S.A. On May 13, the Chilean group Infisa, based in the Cayman Islands, bought the Banco Unión Comercial e Industrial S.A. (BUCI), through its Corporation Banca S.A.

The general manager of Banco Credicorp, Carlos Heller, on May 30 published a synthesis of what these operations really mean, in the newspaper *Página 12*: “It’s the same throughout the economy, an acceleration of the process of concentration and foreign penetration of the economy is occurring.”

Industrial class is disappearing

The wholesale buy-out of the national financial system by the most corrupt of the international financial oligarchy spells

Swiss companies grab assets in Argentina

As part of the wave of foreign buy-outs of vital Argentine assets, Socimer Finance Group, based in Lausanne, Switzerland, invested \$60 million to buy 30% of Banco Patricios, which will then be merged with its other bank, Medefin-UNB. The importance of the purchase is that Banco Patricios, through credits it has available, is a key factor in the production of cotton in the northern provinces of Chaco and Formosa. Diego Marynberg, director of Socimer de Argentina, explained to *Clarín* that the Swiss economy imports cotton from Africa, and therefore views cotton production in Chaco and Formosa with great interest.

The main company of the Socimer group is the very old Trans-Africa, S.A., headquartered in Madrid, made up of the Swiss grain cartel André et Cie. (49%), Union Bank of Switzerland (7.8%), and the Salama group of Spain (43.2%). Socimer’s international operations are vast, and it is very active in privatizations, in particular. In Russia, it functions through the so-called Renaissance Capital Group, and is active in several other countries in eastern Europe, the Middle East, and Ibero-America. André et Cie. has also just bought the Argentine company La Plata Cereal, with which it now controls the production and sale of fertilizers in eight provinces.

the end of the traditional Argentine business class. These businessmen and industrialists have historically benefitted from the industrialization programs of generals Enrique Mosconi and Manuel Savio, and of Brig. Juan Ignacio San Martín, but now, like rats abandoning a sinking ship, they are stripping the country of the industrial capability which had once made it the ninth industrial power in the world.

Typical of this kind of surrender is the group Pérez Companac, which, in past times, was considered the most enterprising of Argentine companies. On May 28 of this year, it sold its Banco Rio to Spain's Grupo Santander for nearly \$700 million. For the past few years, Pérez Companac has also been a co-owner of Minera Mincorp, S.A., in Cerro Vanguardia (in the Patagonian province of Santa Cruz), with the British Crown's lead mining company, Anglo American Corp. of South Africa. Pérez Companac also allied with drug legalization advocate and speculator George Soros, to buy the Abril country club, located 45 minutes south of the capital of Buenos Aires.

Other national industries which managed, at great pains, to survive the strangulation of Argentina—at least until today—are now displaying their “for sale” signs.

Among this latter group of companies are the Sociedad Comercial del Plata, owned by fugitive financier Mark Rich's friend Santiago Soldati, who has been actively involved in the

privatizations (with loans obtained abroad). Today, Soldati is preparing to hand over the Argentine state companies he bought, to “settle” his debts with his “creditors,” at a figure of some \$800 million. He has already sold EG3 (32.5%), Destilerías Argentinas de Petróleo, S.A. (DAPSA, 50%), Refinerías San Lorenzo (42.5%), and Parafinas del Plata (50%) to the Spanish company Repsol, for a total of \$345 million. He will soon be selling off his share of CPC Construcciones (50%) as well as 15% of Transener, to the Pérez Companac group, for another \$20 million.

The Bulgheroni group has put up 45% of its Bidas company up for sale. Earlier this year, the Spanish company Repsol bought up Astra company from the Gruneisen family, and today is on the verge of taking control over the distribution network for the fuel EG3 (Ex Exxel Group).

The same thing is going on in the mining sector. Through 1994, this sector only had \$5 million worth of investments; by 1996, investments in this sector had already reached \$80 million. Along with investment in mining, came the foreign mining companies. Of the 66 foreign companies conducting mining explorations in Argentina, 46 of them belong to the British Commonwealth.

Soros doesn't miss a chance

On May 30, for barely \$15 million, Soros bought up the Lla Lla Hotel, located in the tourist region of San Carlos de Bariloche, Neuquén province. In total, Soros's holdings in Argentina equal some \$635 million. Soros's real estate holding company, IRSA, alone has “assets of \$435 million,” and his agricultural company Cresud, \$200 million worth, through which he controls more than 350,000 hectares of agricultural land, distributed throughout Argentine territory. Said Sergio Dattilo of the newspaper *Ambito Financiero*, “The main landholders of Argentina are no longer the families that traditionally represented the sector.”

Despite the current political and economic rout of Argentina's national industrial interests, their enemies are still not totally confident of success, and have warned of the threat of a nationalist counterattack which could turn back all their globalization “advances” in the country. For example, Inter-American Dialogue member and former economics minister in the Raúl Alfonsín government (1989-93), José María Dagino Pastore, in a May 29 interview in *Ambito Financiero*, nervously recalled “the decade of the thirties, which some sectors called ‘infamous,’ because the resources of the economy were kept outside the country. This then served as an excuse for launching an era of nationalizations and mass state takeovers.”

With the displacement of Argentine bankers and businessmen by foreigners, stated economist Muchnik, “Argentina is losing something more than its ‘own character,’ a certain ‘business identity.’ Decisions on economic and business matters are increasingly leaving aside all reference to the Nation.”

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