

Selling the Family Silver or Strategic Pragmatism? The Shocking Argentine Entry into the US Sphere of Influence, the Secret Domingo Cavallo Recordings, and the Nuance of Neoliberal Foreign Policy under the Presidency of Carlos Menem

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Under the Peronist president Carlos Menem (1989–1999), Argentina experienced one of the most dramatic and profound policy shifts in twentieth-century Latin America. In the period from 1990 to 1991, the newly-elected administration undertook a one-hundred-and-eighty-degree turn in foreign policy by advancing new positions in line with those of the United States. This marked a surprising and unprecedented Argentine entry into a US sphere of influence and a new, gritty pragmatism in Argentine foreign relations. This article draws on a set of previously secret audio recordings by Argentina's Foreign Minister Domingo Cavallo to show how he laid out and built those arguments to a stunned group of senior Argentine diplomats over two days in April 1990. But while this policy change may have met a long-standing goal among US officials that other countries adhere to US strategic, financial, and commercial imperatives—underscored by the free movement of goods and capital—it did not necessarily guarantee new US footholds in all cases, including that of Argentina. Free trade meant free trade with all comers, not just US corporate and financial interests. In short, although foreign policy under Menem rightly has been understood as a shift toward neoliberalism, this article demonstrates that the changes were more nuanced than many analysts have described.

Keywords: Domingo Cavallo, Carlos Menem, Argentine foreign relations, Argentine politics, US-Argentina relations, Argentine history

Bajo el presidente peronista Carlos Menem (1989–1999), Argentina experimentó uno de los cambios políticos más dramáticos y profundos de la América Latina del siglo XX. En el periodo de 1990 a 1991, la administración recién elegida dio un giro de ciento ochenta grados en su política exterior al avanzar nuevas posiciones alineadas con las de Estados Unidos. Esto supuso la entrada sorprendente e inédita de Argentina en la esfera de influencia estadounidense y un nuevo y contundente pragmatismo en sus relaciones exteriores. Este artículo se basa en un conjunto de grabaciones de audio previamente secretas del ministro de Asuntos Exteriores argentino Domingo Cavallo para mostrar cómo

expuso y construyó esos argumentos ante un grupo atónito de altos diplomáticos argentinos durante dos días en abril de 1990. Sin embargo, aunque este cambio de política puede haber cumplido con un objetivo de larga data entre los funcionarios estadounidenses —que otros países se adhirieran a los imperativos estratégicos, financieros y comerciales estadounidenses, subrayados por la libre circulación de bienes y capitales—, no garantizó necesariamente nuevos puntos de apoyo estadounidenses en todos los casos, incluido el de Argentina. El libre comercio significaba comercio libre con todos los que se presentaran, no solo con los intereses corporativos y financieros estadounidenses. En resumen, aunque la política exterior bajo Menem se ha entendido acertadamente como un giro hacia el neoliberalismo, este artículo demuestra que los cambios fueron más matizados de lo que muchos analistas han descrito.

Palabras clave: Domingo Cavallo, Carlos Menem, relaciones exteriores argentinas, política argentina, relaciones EE.UU.-Argentina, historia de Argentina

Precedents: Origins of the Menem Administration Foreign and Strategic Policies

This article examines a remarkable late twentieth-century moment in Argentine strategic, commercial, and financial policy, drawing on an unusual documentary record of policy changing in real time—an audio record of how Foreign Minister Domingo Cavallo secretly proposed a reversal of Argentina’s existing foreign policy positions to a group of senior Argentine diplomats in April 1990, before the full extent of the dynamic turn-around had been made public (Ramos Córdova 2022, 140–143).¹ Virtually all observers viewed this as a stunning and unexpected turn toward the neoliberal policies long espoused by the US and Argentina’s seeming entry into a US sphere of influence. Peronists in particular saw it as a betrayal. But this article argues that the shift was both more pragmatic and more nuanced than it may have appeared, and rather than guaranteeing US financial and commercial interests in Argentina, Menem and Cavallo viewed the US as one of many players, along with others in Europe, Japan, and elsewhere in the Americas.

This record of how the new presidential administration conceived of its place in the Americas and the world shows how far Argentina had come from long-standing foreign policy positions that, while rarely openly hostile to the United States, drew on multiple anti-US narratives. These included a founding Peronist narrative of US intervention against Juan Perón in the 1946 presidential election, anti-imperialist arguments on the political left, the Cold War conviction that the United States was hostile to an independent Argentine nuclear development policy, and, beginning in the late 1950s, anger across the political spectrum at the growing power of US financial institutions and their sway over the increasingly debilitating Argentine foreign debt (Nállim 2024). On the other hand,

¹ My warm thanks to Diane E. Johnson, Professor Emerita of Political Science, Lebanon Valley College, and Social Sciences Editor, *Middle Atlantic Review of Latin American Studies*, whose thoughtful and professional editing of this article improved it a great deal in many ways.

Argentina had often sided with US strategic positions as a function of long-standing anticommunism in the armed forces, the foreign ministry, and other government bureaucracies. In the 1960s and 1970s, for example, this included foreign ministry and armed forces support for the US war effort in Vietnam.

But Argentine officials had been cautious in never identifying the United States as a strategic ally until 1990–1991 when Argentina joined the United States in the Gulf War. Code-named Operativo Alfil, the Argentine contribution to the war consisted of two task groups sent to the Gulf as a measure meant to modernize the country's international ties through alignment with the United States. Task Group 88.0 was comprised of the destroyer ARA *Almirante Brown* and the corvette ARA *Spiro*, while Task Group 88.1 boasted the corvette ARA *Rosales* and the transport vessel ARA *Bahía San Blas*.² While the naval action achieved the detainment of more than 450 vessels in the enforcement of a United Nations-mandated trade embargo of Iraq, the more important Argentine victory was its newfound strategic and diplomatic link to the United States which, in 1998, named Argentina a Major Non-NATO Ally. This, in turn, allowed Argentina to purchase more sensitive military equipment from the United States. This strategic link toward Washington came in the wake of the April 1990 policy shift discussed in this article (Escudé 1997, 96–97).

In the early 1990s, while Argentine leaders sought much stronger ties with the United States than at any time in their past, the transformative policy shift of the Menem presidency negated any sort of a traditional vision of US hegemony, dominance, or even centrality to what they hoped to achieve. This did not stop critics from accusing the Menem administration of allowing itself to be bamboozled by the US into a new version of the Monroe Doctrine³ whereby, when Washington instructed, Argentina acquiesced. Worn down politically in the 1980s by mounting foreign debt and US-led international financial pressures, former president Raúl Alfonsín called Menem's policy shift a revival of the Monroe Doctrine and an economic pitfall (Alfonsín 1992, 45–52, 55).

The left-wing journalist Horacio Verbitsky focused on the accompanying cancellation of the Cóndor II missile program.⁴ During the 1970s and 1980s, the Argentine Air Force, in collaboration with private corporations and the government of Egypt, had developed the Cóndor II missile. Long a source of tension with the United States as a device that might

² The abbreviation “ARA” stands for “Armada de la República Argentina.” It prefaces the name of naval vessels in the way that “USS” does in the United States and “HMS” does in the United Kingdom.

³ US President James Monroe originally issued a doctrine in 1823 that opposed future European intervention or colonization in the Americas. The doctrine has evolved over time, with later presidents claiming US authority to intervene in the region as necessary to protect US interests.

⁴ US Central Intelligence Agency (CIA), Memorandum, “Status of Argentina's Condor II Missile Project,” November 27, 1990, CIA Digital Reading Room, https://www.cia.gov/readingroom/docs/DOC_0001175490.pdf.

potentially carry nuclear or other destructive payloads, Cóndor was scratched by Menem at the insistence of Washington. Verbitsky accused Menem of a supposed secret deal with Washington on the Cóndor II decision that included the contracting out of Argentine security policy to the United States. The prominent filmmaker Fernando “Pino” Solanas described Menem’s economic alignment with the United States as selling the family silver (Verbitsky 1993, 182–190; Veiras 1991, 2–3; Diamint 2003).

But the Menem administration’s vision of Argentina as a US ally was countered by priorities if not at odds with the promotion of US interests, then certainly at arm’s length from them. Most importantly, in advancing new open-door financial and commercial policies, Argentine leaders and diplomats anticipated that new capital investments and trade opportunities would come from Europe and Japan in the first instance. In addition, there was a new fluidity in how Argentina would approach bilateral ties versus ties to multilateral projects. In each instance, the United States appeared as only one of a host of international players.

This was far from the first time that the United States had faced this conundrum in Argentina. On other occasions, Argentina acceded to US pressures for freer trade and reduced impediments to the movement of international capital, only to result in a set of victories for European business. In the early years of the twentieth century, for example, the United States won unprecedented access to Argentine commercial and financial markets. For the fiscal year that ended in June 1910, US exports to Argentina totaled US\$40.4 million, making Argentina the ninth largest purchaser of US goods. But despite this success, US companies complained to their government that US policy was not favoring their interests; it was enhancing opportunities for US banks to backstop the most competitive international firms that sometimes were based in Europe (Sheinin 2006, 39).

Support for free trade and the free movement of capital were not the only long-term precedents for the 1990–1991 about-face in Argentine foreign relations. The origins of the policy shift also can be traced directly to a 1965 initiative by the Argentine ambassador to the Organization of American States (OAS), Ricardo Colombo. Like many Argentine leaders and diplomats, Colombo was laser-focused on the perceived problem of a growing threat of communism in the hemisphere, which deeply concerned the Argentine armed forces (that would take political power in a coup d’état a year later) and the militaries of most other Latin American countries. Colombo gave a speech at the Inter-American Defense College in Washington, DC, at which he signaled the growth and danger of left-wing revolutionary insurgencies in several countries in the wake of the Cuban Revolution.⁵ Three years later, Lieutenant General Alejandro Agustín Lanusse,

⁵ “Conferencia sobre el principio de no intervención pronunciada en el Colegio Interamericano de Defensa del día 6 de abril de 1965 por S. E. el Señor Embajador argentino ante la Organización de los Estados

commander of the Argentine Army, built on Colombo's speech when he came forward with a stronger attack on what he called subversion in Latin America under the influence of Soviet-led communism.

This effort to refocus inter-American relations combined four elements. First, it reflected 1950s and early 1960s Argentine government domestic anticommunism. Second, it revived long-standing Latin American criticisms of foreign intervention in the region; however, whereas earlier in the century, the target of anti-intervention criticisms had been the United States, now, on behalf of their government, Colombo and Lanusse were intent on redirecting inter-American outrage toward the Soviet Union and what they viewed as its proxies, the revolutionary left in Latin America. Third, Argentina began to press other Latin American countries to more closely align with US strategic interests. Fourth, had that pressure been successful, it would have implied a revival of the Inter-American Defense Board (IADB).⁶

A resolution passed at the Ninth International Conference of American States (1948) had established the IADB without a strong mandate. Three years later, delegates to the Fourth Meeting of Consultation of Latin American Ministers of Foreign Affairs charged the IADB with drawing up and maintaining a military strategy to combat communist aggression in the hemisphere. But without overwhelming support from Latin American governments through the late 1950s and early 1960s, the IADB languished. In 1963, US General Curtis E. LeMay, chief of staff of the US Air Force, revived the idea of a functioning IADB. However, the US government was keen on having sympathetic military regimes in Brazil and Argentina lead the project. After the military coup d'état in Brazil in 1964, that support from both countries was forthcoming, and Argentina took the lead (Sheinin 2022, 116–137).

Argentina and Brazil were unable to win over most Latin American nations to fall in behind a revitalization of the IADB. However, the anticommunist strategic proposals advanced by Colombo and Lanusse helped confirm the growing power of the armed forces in the internal affairs of many countries. By the late 1960s, military officers, not political leaders, in Chile, Paraguay, Peru, and other countries had become responsible for national strategic and military decisions through their command structures, not through government ministries, which they bypassed. Despite the collapse of the Colombo-

Americanos, Dr. Ricardo Colombo," April 6, 1965, 122, OEA, POL, Archive of the Foreign Relations Ministry (AMREC), Buenos Aires.

⁶ Lanusse, "Conferencia a cargo del comandante en jefe del Ejército Argentino: Alejandro Agustín Lanusse, Teniente General, Comandante en Jefe del Ejército Argentino," September 24, 1968, 122, OEA, POL, AMREC; Argentine Army, General Staff, Fifth Command, "Puntos de Vista que sustentara la delegación del Ejército Argentino en la IXna CEA [Conferencia de Ejércitos Americanos]," 122, OEA, POL, AMREC.

Lanusse IADB proposal, military rule surged across the region as did coordinated intelligence operations with the United States.

Twenty-five years later, when Argentina undertook a strategic shift in realigning its geopolitical interests with those of the United States, the Cold War had come to an end, and economic change—not strategic links to the United States—had become the priority. Even so, the Menem administration revived a key 1960s premise of what Colombo and Lanusse had argued: closer strategic ties with Washington would lead to greater economic prosperity and political stability in Argentina. For the 1990s, that proved correct for a time. Many of the Menem critics accused his government of reviving pro-military government agendas, but in fact, what allowed Menem the political opening to act was the seven-year distance between his government and that of the Argentine dictatorship that had exited government in 1983 (Cavallo and Cavallo Runde 2017, 220–235).

Argentine International Relations in 1990

At the end of the Alfonsín presidency and before the sharp turn under Menem, Argentine foreign policy was shaped in the first instance by finding ways to avoid economic collapse in the face of growing foreign debt through ongoing negotiations with private lenders and the International Monetary Fund (IMF), a leadership role in the international nuclear disarmament movement, and a commitment to fostering economic development in the underdeveloped world and support for decolonization. Four years earlier, in 1986, in the context of growing Argentine relations with African nations, and under the weight of the growing international condemnation of apartheid and pressure from its nonaligned movement (NAM) allies, Argentina broke diplomatic ties with South Africa.

Three years later, as South Africa started taking steps toward democratization, the Argentine government began to consider renewing those bilateral ties. Ministry of Foreign Affairs diplomats carefully assessed the nuanced pros and cons. Meanwhile, in a letter to the veteran diplomat and secretary of foreign relations Juan Archibaldo Lanús, Peronist senator Horacio Félix Bravo Herrera, a leading critic of Alfonsín's foreign policy, gave his strong support for renewed relations with the pariah state. More importantly, in a manner that is sometimes hard for diplomats to articulate, he placed his position in the context of a razor-sharp outline of what he believed should be at the forefront of Argentina's international positions. Reopening the Argentine embassy in South Africa would affirm six keys to Argentina's foreign policy: independence from Cold War blocs; influence in international forums; entrenchment of Argentina's strategic position in the South Atlantic; improved international commercial ties; improved scientific, technical, and military ties with countries that might offer "interesting support" in those areas; and

the possibility of investments in Argentina from a developed country [South Africa] (Lechini 2014).⁷

But Bravo Herrera did something more. He signaled a right-wing strategic pragmatism that would underscore Argentina's radical shift in relations with the United States in 1990. He saw the preceding six years under the Radical Party presidency of Raúl Alfonsín as unreasonably beholden to international niceties, meaning human rights in the first instance. Three months after the election of Peronist presidential candidate Carlos Menem, and three months before Menem assumed presidential office, Bravo Herrera laid into Alfonsín. The break with South Africa in 1986, he argued, was the result of a "lawless, anxious, and extremist ideological position" held by Alfonsín, Foreign Minister Dante Caputo (a member of the Socialist Party), and other left-wing sectors in and out of government. It bothered Bravo Herrera and other Peronists that Alfonsín had abandoned South Africa in 1986 after the latter had long shared military intelligence with the Argentine armed forces and had sent weapons to Argentina during the Malvinas War of 1982.

Then, Bravo Herrera became even more pointed on national strategic priorities. Argentina was in no position to allow its foreign relations to be shaped by "pure ideological motivations" on the extreme right or left. In reference to Argentina's postdictatorship emphasis on human rights and South Africa's pariah status, he noted that, if human rights were more than what he viewed as a diplomatic nicety, Argentina would have to break ties with the communist countries, most African nations, and many others (Buffa 2006).⁸ This policy, he believed, would not be in Argentina's best interests.

An orthodox, conservative Peronist, Bravo Herrera was never an ally of Carlos Menem and never participated in crafting the sharp foreign policy shift in 1990 and 1991. He feared the armed forces might intervene in domestic politics over Menem's policies (about which he was wrong). Moreover, when the Menem administration began to roll back worker and trade union rights, Bravo Herrera criticized the president; a long-standing supporter of labor rights, he saw Menem's policies as destructive of Perón's legacy on justice for Argentine workers. That said, in each of the areas he specifically addressed regarding South Africa, Bravo Herrera's raw pragmatism foretold the strategic shift to come in 1990. He was prescient on many of the ills facing the country and inspired Cavallo's thinking in 1990.

⁷ Bravo Herrera to Lanús, August 11, 1989, 114, Memos Expedidos 1–300, 1989, AMREC.

⁸ Bravo Herrera to Lanús, August 11, 1989, 114, Memos Expedidos 1–300, 1989, AMREC; Rubén Antonio Vela, Argentine ambassador, South Africa, "Nota del Senador Nacional Horacio Félix Bravo Herrera sobre relaciones con Sudáfrica," September 7, 1989, 114, Memos Expedidos 1–300, 1989, AMREC.

Six years after the collapse of military rule, the cultural components of the new Argentine democracy were seemingly thriving. But with average inflation rates of 2,600 percent in 1989 and 1990, and an exponentially mounting foreign debt, the economy was in a shambles, and the political situation reflected that crisis. Elected to the presidency in May 1989, Carlos Menem came to office five months early after outgoing president Raúl Alfonsín's resignation from office in the wake of public riots prompted by hyperinflationary pressures. Despite long-standing narratives of Argentine hostility toward Washington, as was the case for most of the twentieth century, bilateral ties had become more complicated. As a human rights defender, Alfonsín was celebrated by the Ronald Reagan administration (1981–1989), and by US universities and other organizations anxious to decorate the Argentine president for his role in returning the country to democratic rule in 1983. But economic ties played a more significant role in shaping Argentine-United States relations under Alfonsín, particularly the vocal hostility of Argentine economy minister Bernardo Grinspun to International Monetary Fund (IMF) and US government pressures on Argentina's ballooning debt (Kreisler 1985, 1).

Three more factors shaped bilateral ties in the 1980s. First, as they had in the past, Argentines routinely miscalculated that their nation factored significantly in Washington's foreign policy calculations. This was most evident in the failed expectation that Argentina would be able to count on US support during the Malvinas War.

Second, there was a persistent long-standing lack of confidence among US leaders that Argentine authorities had the ability to reverse economic decline and political instability. How that latter factor shaped relations bubbled to the surface in April 1990 when nine tons of Zircaloy-4 TREX that had recently arrived from France, valued at US\$500,000, disappeared from the port of Buenos Aires customs house. Used in the production of nuclear fuel rods for its high-temperature, anti-corrosive features, the compound and its shipment were tightly governed by international agreements—in this case, one signed between Argentina and France in 1980. Despite Argentina's contractual obligation to inform the French government of the loss, fearing disastrous isolation in the international nuclear community, the Argentine National Atomic Energy Commission (Comisión Nacional de Energía Atómica, CNEA) recommended keeping the episode a secret. When US authorities discovered the slip-up, they attributed it to Argentine incompetence.⁹

Third, in an area that would also undergo a one-hundred-and-eighty-degree policy shift along with bilateral ties to the United States, Argentina was an active participant in the

⁹ 10105/90, Enrique Candiotti, director, Directorate of International Security and Strategic Affairs, Ministry of Foreign Relations, to Sub-secretariat of International Relations, Ministry of Foreign Relations, "Sustracción de zircaloy en la Aduana de Buenos Aires," May 4, 1990, 5, Politics, 1972–1991, AMREC; Roberto Ornstein, Director, International Affairs, CNEA, "Desaparición de 'trex' de zircaloy 4 de origen extranjero," nd (May 1990), 5 Politics, 1972–1991, AMREC.

nonaligned movement (NAM). Originally a loose Cold War alliance of nations unaligned with either the Soviet Union or the United States, led by Yugoslavia and India, among others, by 1980 the group comprised a wide variety of nations whose membership was not always predictable. For example, while the Chilean dictatorship broke with NAM in the 1970s, the Argentine military government remained a member at the same time. In the 1980s, the Alfonsín government played a leading role in that forum on nuclear disarmament, poverty reduction, and technological development (particularly in the nuclear sector).

Those positions had generated ongoing support from other NAM members, particularly on Argentina's most lasting strategic policy position, that regarding the Malvinas islands. In December 1965, the United Nations General Assembly adopted Resolution 2065 (XX) recognizing a sovereignty conflict between the United Kingdom and Argentina over the Malvinas and mandating both parties to negotiate a rapid, peaceful solution to the dispute. That resolution came in the aftermath of a 1960 United Nations Resolution—1514 (XV)—calling for the decolonization of colonial territories. Many NAM members saw the Malvinas in the context of their broader commitment to European decolonization.

Often NAM support came as part of an unstated questionable or pragmatic set of diplomatic quid pro quos. That included Argentina's backing, for example, for Indonesia's position on East Timor in response to Indonesian support for Argentine claims to the Malvinas. This ran contrary to Timorese decolonization claims which were not unlike those of Argentina over the Malvinas. Other areas of Argentina's relations with its NAM partners generated tensions with the United States, though these were never anywhere close to US tensions in the 1980s with Libya, Cuba, or Iraq. Areas of concern for Washington included Argentina's cooperation with India in opposing the Treaty on the Non-Proliferation of Nuclear Weapons and what Washington believed was possible India-Argentina cooperation on pharmaceutical patent breaches at the expense of big pharma (Saavedra 2004, 98–106).

The Secret Tapes

In July 1998, as part of larger access to documentation on the history of the Malvinas, I became the first and only person granted access to the Cavallo tapes by the Argentine foreign ministry. Fifteen compact cassettes and accompanying transcripts had been stored in an unmarked, unindexed box at the foreign ministry, likely from shortly after the time they had been made. There were no public references to the tapes or their content, and no mention of them in relevant ministry documentation at the time.

In July 1989, economist Domingo Cavallo began a short term as foreign relations minister in the Carlos Menem presidential administration. Cavallo was not unknown to the

Argentine public. Some remembered him for a very brief term as president of the Central Bank of Argentina in the early 1980s when, because of unreasonably generous exchange rates on loan installment repayments, dozens of companies were able to shift more than US\$15 million in private debt to the state.¹⁰ In addition to his portfolio as foreign minister from 1989 to 1991, Cavallo functioned as the *de facto* economy minister, organizing the business and foreign policy revolution that featured the privatization of much of the national economy.

In the first days of April 1990, Cavallo flew to Paris to meet secretly with Argentina's diplomats in Europe. He went to explain the coming political economy of the Menem administration and how Argentine diplomats were expected to support the new measures. At the end of 1989, the government had taken its first preliminary steps toward that economic revolution. In December, Menem announced the sale of the government-owned telephone company, railroads, and power companies. At the same time, the new government could find no way to slow the economic crisis it had inherited from the Alfonsín administration. Between February 1989 and February 1990, the Argentine currency fell by 50 percent against the US dollar. In January 1990 alone, the cost of living rose by 79.2 percent (Brenta 2021).

At the time of the Paris meeting on April 6–7, no one outside the government knew the extent of the Menem administration's plans to revolutionize and liberalize the nation's economic and strategic policies, in rough alignment with long-standing US strategic and business priorities. What was especially shocking for some of the diplomats at the meeting was previously unthinkable: a Peronist government under Carlos Menem espousing neoliberal economics, a break with the nonaligned movement, and a shift in strategy toward that of the United States. "Some," Cavallo pointed out to the gathered Argentine diplomats, "would wonder how odd it was that a Peronist government, with which one associates enormous fiscal deficits" would now undertake the reverse. The foreign minister countered his own point by noting at the Paris meeting that fiscal deficits had been high for over a century and were not the exclusive preserve of Peronists.

With high deficit spending had come a consistent series of severe economic crises featuring excessive foreign debt and the illogical expansion of the monetary supply. Fiscal irresponsibility, he told Argentine diplomats present, was the legacy of all past Argentine governments, military and democratic. From the 1950s to the early 1980s, in Argentina and in the rest of Latin America, governments had acted on the flawed assumption that direct foreign investment was bad. This was because it transferred crucial elements of the

¹⁰ Cavallo left the Foreign Ministry in January 1991 to begin work as minister of the economy, where he ushered in his Convertibility Plan that established by law an exchange rate of one Argentine Austral (and later the Argentine peso) to the US dollar. The Convertibility Plan was immediately controversial and played a role in the Argentine economic crisis of 2001–2002.

national economy into foreign hands (Martínez and Zicari 2023, 138–143). The better alternative, it was thought, came through indirect investment—that is, foreign loans. In this latter case, so the argument went, the control of primary resources and key industries remained in the hands of the nation. In fact, Cavallo reasoned in Paris, the result was massive indebtedness in Latin America and a far more severe dependency on foreign capital than when foreign enterprises invested directly, assuming the corresponding risks (Wogart 2004, 388–391). In Paris, the foreign minister cited John Maynard Keynes in a metaphor falsely attributed to the latter. The foreign banks “close the umbrella when it starts to rain and open it when the sun comes out.” For Argentina, Cold War international policy had produced a contradictory effect: the banks “pressure us when we most need them not to do so and push loans on us when we don’t really need them.”¹¹

Now, the new Menem government had begun to create economic conditions for Argentina’s internal and external markets that would promote competitiveness free from the casuistic interference of the state. Legislation in the Argentine congress would simplify rules and restrictions on foreign investors. Argentina would now become a country with clear legal norms for foreign investors— “those who create jobs.” What Cavallo told his audience was so explosive that some diplomats were worried that the news would leak and that they might be held professionally responsible in a coming political uproar. That did not happen, but those present had no idea at the time that Cavallo recorded fifteen audio cassettes of the meeting.

Cavallo’s Six Tenets to Argentine Policy in the US Sphere

While Bravo Herrera’s six keys influenced Cavallo’s thinking, the number “six” was coincidental as drawn up by each man. Cavallo was interested primarily in Bravo Herrera’s final three keys: stronger international commercial ties, improved technological links to wealthy nations, and the encouragement of foreign investment in Argentina. But while inspired by the Peronist senator, Cavallo went much further than anything Bravo Herrera had imagined in 1986.

1. Argentina as First World

Cavallo’s first pitch to the Paris gathering was prescient realpolitik. It suggested, for example, that Mexico’s future in international affairs would be bound up in the first instance with North American commercial and financial regionalism. It was also bold. Cavallo noted that, despite what seemed a radical Argentine strategic and policy shift, “there won’t be any zigzagging.” Menem confided in Cavallo that he wanted to transform

¹¹ “Transcripción textual de la grabación de la reunión de embajadores, presidida por el Sr. Canciller, que tuvo lugar en París los días 6 y 7 de abril de 1990,” nd (April 1990), 5 Politics, 1972–1991, AMREC.

Argentina from the clandestine gambling joint (*garito*) it always had been into a stable and productive country. Incredulous diplomats listened as Cavallo promised an end to budget deficits and private sector subsidies. The latter point was offered without irony from the man who, in 1982, as president of the Central Bank, had approved the transfer of millions of US dollars' worth of private corporation debt to the state. The object, he insisted, was not a gradual elimination of the deficit. It was to end it now in favor of an unprecedented surplus. There would be no more foreign debts. Cavallo explained the development as free of ideology. It was what he called a practical and inevitable shift.¹²

2. Global Capital Rules

Argentina would now align with Washington, however, Cavallo also saw the world as one of overlapping financial spheres where Argentina would find a successful place. His government was hard at work establishing a stronger business presence in Europe, the United States, Japan, and most importantly, with its South American neighbors. "But Argentina wants to get along well with everybody," he insisted in a post-Cold War world that would be far more integrated. That said, there were priorities. Geography mattered. The Benelux countries, he noted, represented the fourth strongest commercial power in the world, explained in part by the geographical proximity of the nations represented in that bloc. Japan's most important commercial ties were with its geographical neighbors, while Canada and the United States were undergoing a rapid economic integration that left Mexico with the dilemma of whether to follow suit or to turn its attention southward.¹³

The first question several diplomats posed was where the new government stood on the relatively new World Bank Multilateral Investment Guarantee Agency (MIGA). Formed in 1988 to promote foreign direct investment in developing countries, MIGA offered insurance to investors against political and other noncommercial risks, though without the promise (or alternatively, the menace) of US military intervention. Should Argentina join? That question was taken by Juan Carlos Sánchez Arnau, subsecretary for the negotiation of bilateral agreements in the foreign ministry. In keeping with his title, Sánchez Arnau alerted the diplomats gathered that it remained unclear whether Argentina would benefit from joining MIGA at considerable cost. The logical alternative priority would be to press for bilateral economic agreements where a corporation's investment risk might be covered by the home country. That stress on promoting bilateral relations played out in the Paris meeting where most of the discussion began with the ambassadors present discussing the state of relations between the country to which they were accredited and Argentina.

¹² "Transcripción textual," AMREC.

¹³ "Transcripción textual," AMREC.

3. Europe and Japan Come First

Despite Argentina's new alignment with long-standing US international economic priorities for free trade and capital movement, Cavallo told the diplomats assembled that Argentina would look first to Europe and Japan for investment, rather than to the US. Of course, most of Europe and Japan were supporters of US norms for the free and open movement of goods and capital, but importantly, Cavallo asserted that the US had been transformed into a debtor nation itself and more a destination for foreign capital investment than a source for outward capital flows.

Cavallo proposed a momentous shift on ties with the United Kingdom. He suggested a pause in bilateral discussions on the fate of the Malvinas, with a promise to revisit problems later. Cavallo told those present that, at his urging, in the weeks after Menem's presidential election victory, the governments of the United Kingdom and Argentina had privately recognized that it was in the best interest of both nations to shelve their conflict over the Malvinas for now (Míguez 2022, 85–87). Each side had secretly agreed to what he called a "juridical formula" that allowed both parties to hold in reserve and set aside their respective positions on the archipelago while renewing the full normalization of diplomatic, commercial, and financial ties.

Beyond the obvious advantages to renewed ties with a former enemy, Cavallo underscored that the new "fluid" relations with the United Kingdom had an even more significant potential reward in creating business opportunities in Europe. As a concrete example of the latter, he pointed to the speedy Argentine negotiation of a Treaty of Commercial and Economic Cooperation with the European Economic Community. A process that normally would have taken at least six months was over in a matter of weeks. That was the direct result of the rapid normalization of ties with Britain.¹⁴

4. No Time to Fret about Governance Elsewhere

In Europe, the diplomats were to sell the about-face and generate private capital investments in what Cavallo called the "new" Argentina. Over a matter of hours, the initially shocked diplomats bought into the new model, but not before several heated expressions of concern. Many spoke at length of the collapse of the Soviet Union and the opportunities that presented. The distinguished philosopher Víctor Massuh, ex-chair of the Executive Board of the United Nations Educational, Scientific and Cultural Organization (UNESCO and then-Argentine ambassador to Belgium, called the recent changes in Eastern Europe and the opportunities they afforded Argentina, "absolutely revolutionary." He waxed eloquent on the appearance of a new Eastern European youth,

¹⁴ "Transcripción textual," AMREC.

energized by never having experienced freedom. That said, he wondered aloud about prospects for a region that Cavallo saw as vital to Argentina's resurgence as a middle power. Liberty, Massuh worried, might mean little more than an extreme commercialism in impoverished countries (Southwell and Montivero 2023). The writer Jorge Asís, recently named by Menem ambassador to UNESCO, predicted an explosion of reactionary nationalist movements in Eastern Europe, even more worrisome with the advent of sophisticated technologies. The future, he feared, might come as a shift backward politically toward authoritarian rule.¹⁵

Cavallo would have none of it. During his meetings with diplomats, he kept refocusing their attention on the problem at hand—reviving the Argentine economy and adopting a pro-United States strategic pragmatism to support that end. While Massuh, Asís, and others fretted over a somber future for the ex-Soviet bloc, Cavallo saw things differently. In Argentina, he predicted, people would see the strategic and economic revolution as positive because it would permit them to live better. The same, he reasoned, echoing the US government position at the time, was true for Eastern Europeans.

5. Back to Basics: Agriculture and GATT

As a practical matter, the work of Cavallo and the diplomats present at the April meeting focused primarily on the General Agreement on Tariffs and Trade (GATT). In 1988, Argentine diplomat Leopoldo Tettamanti had won a key victory for Argentina when he threatened—with the support of the Cairns Group, a bloc of agricultural exporters—to kill GATT negotiations unless the agreement included a lowering of tariffs on the international meat and grain commerce, Argentina's two most important exports. Now, and as a result, a superstar in the Argentine diplomatic world, Tettamanti accompanied Cavallo. He was in Paris alongside his boss to promote an end to agricultural subsidies in Europe and the entirely free movement there of Argentine agricultural produce. The future of the global system, he told his colleagues, would be shaped by a new round of GATT negotiations in July 1990 when “the developed countries would have to admit that they have to wipe clean the past.” The Europeans would have to eliminate all commercial tariffs, all forms of commercial protectionism, as well as what he called other distortions of international trade. The mission of Argentine diplomats in Europe was uncomplicated. They were to dig up European capital for investment in Argentina and sell beef and grain (Devoto 1992).

¹⁵ “Transcripción textual,” AMREC.

6. New Regionalism and the US as One of Many Players

On GATT and more broadly, the Argentine diplomats, who were still focused on a Cold War strategic and economic framework, wondered what the Menem administration changes meant for relations with the United States. On the Uruguay Round negotiations under GATT from 1986 to 1994 involving 123 countries, the recently appointed ambassador to West Germany, Carlos Mandry, asked point blank: “Are we to back the position of the United States or not?” Tettamanti made clear that for or against the US was no longer an issue. As far as Argentina was concerned, both the US and the Europeans were equally hardheaded on the hypocrisies of their protectionist positions (as Argentine authorities had argued for decades). Meanwhile, Argentina saw itself as more pragmatic than the US, negotiating for precisely the points that the United States had defended for years, starting with a shift to free trade.¹⁶

At the same time, Tettamanti told diplomats that the United States could be a more helpful partner than the European Community in trade negotiations. The latter, he believed, was stuck to some extent in old-fashioned protectionist positions. The following week, the chair of the US House Agriculture Committee would be on his way to Buenos Aires, an indicator that lobbyists for agricultural producers in the United States were forcing the government toward a more flexible position on free trade. However, Tettamanti shared the view of Diego Guelar, the Argentine ambassador to the European Union: Europe was in the process of reviving an idea Charles de Gaulle had espoused, on the construction of a new Europe from the Atlantic to the Urals. For the Menem administration, this was a new reality of regionalisms that might make Argentina’s efforts at bilateral links more difficult, as it would other multilateral processes.

Even so, speaking on behalf of the government—and despite Cavallo’s bilateral push—Tettamanti argued that multilateral negotiating processes represented a damper on conflict, stating: “There’s a transformation of political-military conflicts and economic conflicts and of competition, and it’s in multilateral systems that all of that might be realized.” That promise of multilateralism was a potential boon for Argentina, as evidenced by Argentina’s strong position in GATT negotiations. Tettamanti saw multilateralism as a preferred option to regional accords.¹⁷ It is worth quoting him at some length here:

Each of those great colossuses (including the new Europe) has the option of multilateralism, or the option of closing themselves into their own houses. With no progress on multilateral negotiations, each ends up locked away in their own house. That creates problems for everybody else. In closing themselves away, in that feast of the

¹⁶ “Transcripción textual,” AMREC.

¹⁷ “Transcripción textual,” AMREC.

wealthy, it's the poor who will lose, among them without a doubt, Argentina. But the wealthy will also lose because international conflict will intensify. In such a situation, in search of a national strategy in international venues in which to act, we would have limited options.... One might be to strengthen regional integration to the maximum.¹⁸

Tettamanti voiced a new Argentine realism; multilateralism was the preferred option, bilateralism was always a fall-back position, but in the face of protectionist policies in other countries, Argentina would have to pivot to working within a regional bloc. The first policy step forward would be a firmer Argentine voice in GATT and other multilateral venues. He told the diplomats present that while there were plenty of shared Argentine-European interests, there was much that differentiated European positions from those in Latin America. Their economic interests were generally in conflict. Moreover, Europe had little interest in Latin America. There was a nostalgia in Europe which explained a publicly impassioned search for cooperation with Latin America, but the Europeans were betting on Europe. Argentina should prioritize seeking advantage in multilateral bodies. However, where national interests dictated, Argentina had to be prepared to pivot to regional and bilateral approaches.

On a regional level, Cavallo described relations as incipient. The current coordination mechanism was the Rio Group, created in 1986 to improve political relationships among members (succeeded in 2011 by the Community of Latin American and Caribbean States). Within that group and anticipating the founding of MERCOSUR a year after Cavallo's meeting with senior Argentine diplomats in Paris, the foreign minister argued that Argentina would have to work more closely with Uruguay and Brazil. Cavallo also hoped to revitalize ALADI (the Latin American Integration Association), formed in 1980 as a cooperative multilateral body with a stated goal of promoting free trade and the free movement of capital. Cavallo believed that Brazilian President Fernando Collor de Mello was a natural ally for Argentina and thought that Brazil and Argentina could push successfully for a transformation of the Argentina-Brazil Integration and Economics Cooperation Program (PICE) signed in 1987 into a free trade agreement (Glaever and Schofield 2016).

Conclusion: The Fall-Out

After some initial confusion and push-back, the diplomats fell into line. Jorge Asís closed the meeting by celebrating Cavallo on behalf of those present. In reference to the shaky Argentine economy, he noted that until a couple of months before, "we essentially had a vision of epic collapse." But now, he went on: "I don't think we're going to fail. I think the

¹⁸ "Transcripción textual," AMREC.

president is heading for his best moment and that we're preparing for a new political offensive."¹⁹

After the meeting, Cavallo kept his word on policy shifts, and Tettamanti was correct on GATT negotiations. During the 1990s, with Argentina's support, GATT signatories lowered duties on agricultural imports. The Menem administration lowered taxes on agricultural production and facilitated the export of grain and meat in other ways. There was a flood of European investment. The economy was dollarized. Argentina emerged as a vital founder of the MERCOSUR trade group. But as is well known, the liberalization of the economy did not result in the new Argentina forecasted by Cavallo. It led, rather, to the concentration of land and agricultural industry in fewer hands and to the elimination of hundreds of small and medium-sized agricultural producers. The dollarized economy brought higher wages and the flight of hundreds of industries to Brazil and to cheaper wage economies elsewhere.

Many smaller producers that initially survived the Cavallo economic shock were forced to incur heavy debt loads, leading to insolvency for large numbers. In one stinging irony regarding past economic nationalism, as big agriculture became more mechanized in the 1990s, many agricultural workers left small communities, a process hastened by the elimination of hundreds of branch rail line routes and stations. In the 1940s, the first Peronist government had cut its foreign policy chops in the celebrated nationalization of a network of British-owned railways. A half-century later, mechanized agricultural production prompted a depopulation of rural areas and a closure of decades-old rail routes. Eleven years after the Cavallo trip to Europe, in December 2001, the Argentine economy collapsed (Sowter 2015; Basualdo 2002).

The combined six tenets to the Cavallo economic experiment underscored a remarkable triumph for Washington in Argentina's adherence to key tenets of twentieth-century US strategic and commercial policies, although they did not translate into benefits for US policymakers or businesses at the expense of their European and other competitors. Cavallo got it wrong on his predictions for Japanese interests in Argentina, but his assessment anticipated China's rise as a major investor and consumer of Argentine agricultural products after 2000. In addition, for the first time in the twentieth century, Argentine authorities were not formulating policy in the 1990s with a constant eye on Washington's views one way or another. Sadly, for most Argentines the Menem administration's economic policy led to unprecedented precarity and transformed the meanings of poverty (González 2014).

¹⁹ "Transcripción textual," AMREC.

Despite the popular vilification of the Menem administration for its economic policies and the furious reversal of course under President Néstor Kirchner (2003–2007), and then President Cristina Fernández de Kirchner's (2005–2015) move toward a more anti-imperialist set of foreign and domestic policies, there were key continuities from Menem to the Kirchners. Relations with the United States were mixed. Successive governments from 2003 to 2015 understood their international positions were at odds with those of the US government. But bilateral trade remained relatively steady from 2005 to 2022, with generally growing balances in favor of the United States. There were fluctuations, but in 2022, the US\$8.2 million in direct US capital investments that Cavallo had deemed so crucial to Argentine economic development marked a 46.4 per cent rise from 2009. Meanwhile, Chinese direct investments grew at a breakneck pace.

Despite episodes of conflict with various rural producers, Argentina continued to prioritize agricultural exports. Unlike the 1990s, those exports—particularly the shipment of soy to China and India—proved a vital source of government income between 2005 and 2015 and an important reason for sustained economic growth and stability. While Argentina altered its regional alliances and worked from a political position very different from that of Cavallo, the government nevertheless remained committed to international strategic and commercial principles that had similar objectives to those of the Menem administration—Argentine independence of action, negotiation from a position of strength (particularly, agricultural production), and the building of a wealthy nation (Lin 2017).

In early 2026, Cavallo remained an important public figure thanks in part to Javier Milei, who became the president of Argentina in late 2023. In his government policies, Milei echoed many of the premises for economic growth and political stability in Argentina that Cavallo had championed in Paris in April 1990. They included the rapid privatization of the economy, an end to commercial protectionism, an end to government subsidies to specific economic sectors, a lack of concern for rising authoritarianism elsewhere, and a close strategic relationship with the United States. Before 2024, Milei had celebrated Cavallo as his mentor and the best economy minister in the country's history.

However, Cavallo began to criticize Milei's financial policy. The controlled devaluation of the Argentine peso—slower than the inflation rate—had led to its overvaluation and the possibility of financial collapse. In late 2024, Cavallo began to call for the peso to float freely on international markets. In early 2025, when Cavallo warned that currency controls could not be lifted without an IMF bailout, Milei reacted furiously, referred to him as a disaster, and sacked Cavallo's daughter, Sonia Cavallo, as ambassador to the OAS. Despite the friction, Cavallo praised Milei's 2026 budget for its projected elimination of the once-debilitating national fiscal deficit (Chaves 2025).

In the aftermath of the 2001–2002 financial crisis in Argentina, most Argentines attributed the collapse to the failed policies of the Carlos Menem administration and, particularly, Domingo Cavallo’s economic policies. Such is the long-standing popular revulsion at both men that no author has yet undertaken an archive-based political biography of either man. In whatever way one views the Menem years, and wherever one ascribes blame, there can be no arguing with the failure narrative. After two terms in office, the Menem administration could not deliver on the modernization and wealth creation Cavallo promised in Paris in 1990. That said, this article shows that the long-standing criticism of Cavallo as a stooge of the US—for having sold the Peronist family silver—is misguided. As foreign minister, then as economy minister, his approach was strategically pragmatic in opening the country to all those willing to invest and trade freely.

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