

Free-trade financiers unleash assault on Argentine industry

by Cynthia Rush

When the current President of Argentina, Raúl Alfonsín, took office in December 1983, Argentina's citizens breathed a sigh of relief. A democratically elected government, they hoped, would stand up to the hated *patria financiera*—the British and Swiss-linked financial oligarchy which had run amok during the 1976-83 military dictatorship. Never again would someone like José Alfredo Martínez de Hoz, the junta's finance minister from 1976-81, be empowered to raze national industry at the behest of the Trilateral Commission and the international banks, or transform Argentina into a haven for international speculative capital as he did during his term in office.

Over the past five years, Alfonsín has betrayed Argentina's aspirations for sovereign national development, and groveled before the dictates of the International Monetary Fund (IMF). Now, as he nears the end of his term, Alfonsín and the technocrats in his economic team have decided to go in for the kill. They have openly embraced—in some cases even invoking Martínez de Hoz's name—the former minister's free trade lunacy, which they promised in 1983 would never again be used to assault national industry and living standards.

On Sept. 21, Alfonsín's Finance Ministry eliminated 2,600 protective tariffs on goods which could previously be imported only if approved by specific manufacturing sectors affected by those imports. The elimination of Anexo II, as the tariff package is known, placing it in a category of "automatic import," leaves intact tariff protection for 1,000 goods, but will immediately allow a flood of cheap imports to compete with national industrial production, at a time when manufacturing and other productive activities are hit by the worst crisis in 15 years.

For the third quarter of this year, manufacturing production is expected to drop by at least 4%; investment in goods and equipment dropped by 30% for the first half of 1988, and is expected to drop another 25% for the second half. The World Bank's 1988 *World Development Report* puts Argentina in sixth place, behind Nicaragua, Bolivia, Liberia, and El Salvador, in the group of nations that showed the poorest overall growth rate between 1980-86. Argentina demonstrated a -0.8% growth in GNP during that period. Between

1980 and 1985, gross domestic investment dropped by 13.8%, according to the same report.

Finance Minister Juan Sourrouille hardly bats an eyelash over these facts. He is not bothered by the reality that, due to lack of investment in energy infrastructure or nuclear energy over the past five years, the cost of electricity in Argentina has become significantly higher than in countries like Brazil. In a "free trade" situation, Argentina is the loser. Since 1982, the cost of electricity has risen by 40%.

The exorbitant cost of credit, and the collapse of investment under Alfonsín's regime, have also hiked the cost of farming. A kilo of Argentine sugar now costs \$.80, compared to \$.25 for Brazilian sugar. Sourrouille eliminated the protective tariffs for sugar included in Anexo II, which will mean the end of sugar production in Argentina if the measures stand. Steel, petrochemical, metallurgy, textiles, food processing, and paper industries are a few of those that will be adversely affected by the open economy policy.

An elaborate hoax

All of this is irrelevant to Juan Sourrouille's whiz kids at the Finance Ministry. They have agreed to destroy what remains of industry, and implement a series of other "structural reforms" in exchange for a \$1.25 billion World Bank loan package, announced from Berlin on Sept. 26. World Bank president Barber Conable explained that the Bank would grant the \$1.25 billion loan in four parts, providing of course that Argentina takes those steps required to "open up" its economy, liberalize trade, revamp its financial and banking sector, and increase government revenues.

The suppression of tariffs was Sourrouille's promissory note to the international financial community that Argentina would do as it is told. Even Martínez de Hoz felt vindicated. At a recent gathering of friends, he reportedly commented that "at last, they [the economics team] are doing the same thing that I did . . . although with less conviction." Some observers estimate that Alfonsín's free trade binge could be "even more violent" than anything Martínez de Hoz did.

The Sept. 26 announcement of the World Bank loan was accompanied by a great deal of hoopla in Buenos Aires, as government officials boasted that the international financial

community really did support Alfonsín's government. For months, Sourrouille's team has been locked in negotiations with the IMF, in hopes of obtaining a \$1.2 billion standby loan; but the Fund has refused to budge because of Argentina's non-compliance with previously established economic targets, and because recent economic reforms were considered "insufficiently tough."

The international financial press portrayed the World Bank's loan decision as the result of a factional battle between the Reagan administration and IMF director Michel Camdessus, in which Camdessus's recalcitrance in granting a standby loan to Argentina was seen as an effort to enhance the role of the IMF, over an allegedly less hardnosed "U.S.-dominated debt strategy." Some papers reported that the U.S. Treasury had put enormous pressure on Conable to come through with the Argentine loan. Hardly anyone believed Raúl Alfonsín's boast that the World Bank's loan would allow Argentina to "modify its development model" and "leave to one side the anachronistic recipes of the International Monetary Fund."

The Sept. 30 edition of the Buenos Aires daily *Clarín* included comments from a high-level IMF official who debunked this assertion, reporting that the World Bank loan in no way meant a change in the international financial community's strategy toward Argentina. In fact, he revealed, representatives of the IMF, World Bank, and U.S. Treasury met in Washington last May, and decided that the World Bank would be the agency to show support for the Alfonsín government. It was simply a "tactical decision," he said.

Basking in the publicity of World Bank "support," Alfonsín asserted that Argentina would *never* consider a moratoria on its \$56 billion foreign debt, a matter which is more worrisome to international banks. "We won't commit the tremendous error of speaking of moratorium," he said. In a pointed reference to Peru and Brazil, nations which did declare debt moratorium but failed to obtain the support of the continent's other debtors, like Argentina, Alfonsín continued, "Ask those who in Latin America declared moratoria how things are going for them now. [Moratorium] would have been disaster for Argentina."

Free trade vs. protection

World Bank funds are not expected to enter Argentina before early 1989. The country remains \$1 billion in arrears on interest payments, and the \$500 million bridge loan promised by the United States last July has never materialized. The Sept. 25 *Financial Times* reported that bankers may even start pulling short-term credit from the country, if interest arrears are not paid soon. Nonetheless, the mere announcement of the World Bank loan has emboldened members of the government's economics team to rush into a headlong confrontation with the leaders of national industry who oppose them.

In an interview published in the Sept. 25 *Clarín*, Industry

Undersecretary Juan Ciminari raved that "we have protected industry for 200 years, but the system didn't work." Lashing out at national industry for its "inefficient" production and costly products, Ciminari asserted that Martínez de Hoz had been right: if companies don't start producing to compete with foreign goods, with exports rather than the domestic market in mind, they would simply go bankrupt. "Rather than industrialists, what we have here are courtesans," he lamented.

Economic Coordination undersecretary Adolfo Canitrot was somewhat more graphic. He likened Argentine industrialists to overprotective parents who won't let their 15-year-old daughter leave the house for fear "that she'll be hit by a car, be raped or drugged. If she doesn't go out, surely nothing will happen to her, but she'll be a *niña boba*"—a silly little girl, he explained.

Leaders of national industry have charged that the government's elimination of Anexo II was rammed through without adequately consulting them, and is being used as a means of dissuading them, and organized labor, from their legitimate demands for a real economic recovery and decent wages. After telling Adolfo Canitrot that "industry is not a silly little girl, nor will it allow itself to be raped by the tariff reform," Argentine Industrial Union (UIA) president Eduardo de la Fuente suggested that the elimination of Anexo II may be unconstitutional, and that the UIA will launch a legal offensive to annul the Finance Ministry's actions.

Leaders of the Peronist-run General Confederation of Labor (CGT) put their union on alert status, charging that the opening of the economy "assaults production and labor, worsening recession, unemployment, hunger, and misery of millions of Argentines."

The debate sparked by the government's free-trade rampage places at center stage the issues which must be thrashed out in the presidential campaign, in which Radical Civic Union candidate Eduardo Angeloz will square off against Peronist Carlos Menem. The campaign will officially get off the ground in the second week of October, and internal politics should heat up considerably. Angeloz expresses the view of the U.S.-based "secret government" which operates under the rubric of Project Democracy. If Argentina deregulates its economy, and the people engage in "hard work," Angeloz asserts, the "forces of the free market" will resolve the nation's crisis.

Opposition to the free traders exists throughout Argentina and especially among the Peronist-run labor movement. The question is whether nationalist forces grouped around Carlos Menem, who are demanding a "revolution of production," protection for national industry, and a five-year period of non-payment of the foreign debt, can organize this opposition into an effective force, by providing a coherent programmatic alternative to feudalism. The possibility that the Peronists will succeed, and even link up with other patriotic forces in Ibero-America, has the free-trade banksters very skittish.