

Argentines pin hopes on their new President, as crisis deepens

by Peter Rush

Carlos Saúl Menem took the oath of office as Argentina's new President on July 8, succeeding Raúl Alfonsín. With a mandate to repudiate the destructive austerity policies of the International Monetary Fund, Menem was elected in a landslide victory on May 14. But he has inherited from his predecessor the worst economic and social disaster in Argentina's history, brought on by those very IMF policies. Now, the Argentine people are looking to the new President to reverse the hyperinflationary debacle left behind by Alfonsín, which has reduced this once-wealthy nation to penury. Menem has very little time to show results, since the country is now a powderkeg, with sporadic rioting having already resumed after a brief intermission, and an imminent danger of social explosions so large even the Army couldn't control them.

The international banking community and its local allies intend to make sure Menem does not succeed. Fearing that the Peronist Menem would revive the nationalist policies of his party's founder, Gen. Juan Domingo Perón, these factions maneuvered quickly following the elections to prevent anti-IMF forces in the armed forces and the labor movement from having a role in shaping policy for the future President. Monetarist businessmen and other "experts" have told Menem that if Peronism is going to be "respected" and accepted internationally, it must not contemplate declaration of a debt moratorium or talk of a debtors' cartel, but follow more pragmatic policies. Bankers have warned Menem that the nationalism that has characterized Argentine politics since the 1940s cannot be tolerated any longer.

Evidence of the pressure on Menem was the presence of none other than Henry Kissinger as a member of the official U.S. delegation to Menem's inauguration (see article, page 46). Kissinger is known for his racist assertion that "nothing good" can ever come out of the Southern Hemisphere. His trip to Buenos Aires had one purpose only: to make clear to Menem that the condition for receiving funds from foreign banks is not just a tough austerity program; he must be prepared to smash the still-influential nationalist forces, particularly those within the military.

After being feted by some of Rockefeller's Argentine friends, among them "roving ambassador" millionaire Amalia de Fortabat and arch-monetarist Alvaro Alsogaray, Kissinger met with Menem on July 8. Publicly, he offered

his "good offices" to mediate between Argentina and the banks concerning Argentina's \$60 billion foreign debt, on which Argentina is now more than \$4 billion in arrears. According to Buenos Aires radio reports, Menem did not respond to the "offer."

'Sacrifice, austerity, hard work'

Menem's inaugural speech to the Argentine Congress July 8 reflected pressures to which he has been subjected since his election. His call to rebuild the country from scratch was well received, although he gave no details of how he intends to accomplish this, emphasizing the need for "sacrifice, work, and hope." "We're going to be pragmatic," he said, although adding, "we're not going to make pragmatism our ideology."

On the crucial question of the country's \$60 billion foreign debt, Menem described repayment as a "commitment of honor," explaining that as soon as the government deficit can be ended, public finance straightened out, and an export surplus generated, payments on the foreign debt would resume. Nowhere in his speech did he mention the IMF, or identify that it was precisely paying usurious debt service on the foreign debt that most damaged the economy under his predecessor.

In mentioning the question of Ibero-American integration, Menem did give Argentina's enemies cause for concern. "To be sovereign," he said, "is to generously open ourselves to our brothers of our extended fatherland. . . . We want national unity at home, and Latin American unity encompassing the continent." In a press conference July 10, following a meeting with the Ibero-American heads of state who had attended the inauguration, Menem was asked if the Presidents had discussed a debtors' cartel, to which he answered that they had "discussed integration," adding that a debtors' cartel is a "consequence of integration."

Menem's cabinet appointments and his announced economic program, however, are intended to reassure nervous creditors who feared that a Peronist electoral victory would mean a return to intransigent nationalism. Menem selected known monetarist Javier González Fraga to head the central bank, and Alvaro Alsogaray, follower of Austrian monetarist Friedrich von Hayek, to be his personal adviser on the debt

question. Alsogaray was the man responsible for Argentina's first agreement with the IMF in 1957, when he served as finance minister.

To the all-important post of finance minister, Menem appointed Miguel Roig, a longtime executive of the Bunge and Born grain cartel. Alsogaray's daughter María Julia Alsogaray, a monetarist in her own right, and Octavio Frigerio, have been appointed to head two of the largest public sector companies, the ENTEL telephone company and the national oil company YPF. Nationalists suspect that Frigerio's close ties to multinational oil interests are related to plans to privatize YPF.

Economic program a grab bag

Finance Minister Roig announced the first round of economic "adjustment" measures on July 9. The package had all the appearances of being hastily thrown together and Buenos Aires' financial daily *Ambito Financiero* remarked that it "was very improvised and changes were being made in it until the last moment before it was announced." Lacking coherence as an overall economic plan, the measures were intended to spur exports, increase revenue collection by the central government, lower interest rates, and provide some relief to the hardest hit sections of the population.

Measures included a 53% devaluation of the austral against the U.S. dollar, going from 300 australs to 650 per dollar, a move intended to convince agricultural exporters to resume exporting grain, the country's primary export earner, and in the process to pay the hefty export taxes the government badly needs. Also intended to replenish empty government coffers were increases in gasoline and fuel oil of over 600%, electricity rates by 200% for consumers and 600% for businesses, and transportation rates by 200%. Most government subsidies to business were suspended, and tax laws are to be simplified, and tax collection enforced.

To deal directly with hyperinflation, prices for most goods are to be rolled back to their levels of July 3, prior to dizzying price increases of 100-200% taken the following week for many items. (Already there are reports that merchants are not only disregarding this, but in many cases continuing to raise prices.) All wage earners are to receive a one-time bonus of 8,000 australs (about \$13 at the new exchange rate) to help them cover the increased utility rates. Not mentioned in his speech, but announced later, is a wage increase of 130-150% for government employees, with similar increases urged for private sector workers, later in July, intended to cover this month's inflation. Roig said he anticipates inflation declining from 150-200% in July to 15% in August.

Other measures include privatizing all public enterprises engaged in direct production of goods except those related to defense and national security, lowering interest rates to 15%, and decreeing a state of economic emergency, and granting the central bank greater autonomy from the central government, such that it will no longer be empowered to finance

government deficits.

While Roig stressed that his plan "will basically strive to strengthen the purchasing power of wages," he presented no supporting evidence to show at what level purchasing power would be after price and wage increases take effect, nor by how much, if at all, real wages will increase from their present untenable lows, a point noted by the head of the Argentine Agrarian Federation, who said that it is too soon to evaluate the program. In Roig's speech, he said, "there weren't enough figures." Specifically, Roig failed to indicate how the inflationary effect of the enormous devaluation would be absorbed, or how business was expected to absorb large wage increases without again raising prices.

More broadly, the plan calls for temporarily suspending virtually all public sector investment—which is precisely what needs to be immediately increased, to provide jobs, income, and infrastructure desperately needed for growth, starting in the electricity sector (see *EIR*, June 30, 1989, "The Alfonsín Era: IMF Policies Wrecked Argentina's Economy"). The program focuses primarily on ending the public sector deficit and leaving the economy to the private sector.

Kissinger wants the nationalists crushed

However, Kissinger and his friends want more than mere economic measures; they demand the elimination of military nationalists, headed by Col. Mohamed Ali Seineldín. *EIR* has learned that on June 28-29, with full support from the Alfonsín government, top anti-nationalist Army generals met secretly to map out a strategy to discredit Seineldín and officers loyal to him, portraying them as "subversives" who were out to destroy the Army.

Proceeding along the lines of Henry Kissinger's 1984 warning that "fundamentalists" in the Argentine Army, led by "a new Qaddafi," could take over that institution, the generals agreed to carry out a "psychological action" against the nationalists. Seineldín and some of his supporters staged a military action in December 1988 at the Villa Martelli military base, which ended in an agreement to raise military wages and make other reforms. Key to the generals' plans was a repudiation of this agreement, and a denial that any agreement was ever made. The generals also planned to compile a list of Seineldín's associates, in order to arrest them at a later time.

The situation in the armed forces has yet to be resolved. Menem has appointed Gen. Isidro Cáceres as the new head of the Army, which means that 12 senior generals, including several who are the most hostile to Seineldín, will be forced into retirement. Cáceres is reported to be acceptable to the Seineldín group. A campaign to force the issue was launched with a false rumor to the effect that Menem wanted Seineldín to resign. Menem immediately tried to scotch the story, saying that the matter was strictly an internal Army affair, and that the military crisis "seems to be of more concern abroad than it is here."