

Menem sells his soul to the devil

by Cynthia R. Rush

Argentines were startled to read an interview given by First Lady Zulema Yoma de Menem to the news magazine *Noticias* the week of May 27, in which she stated that the economic program imposed on the nation by her husband, President Carlos Menem, “won’t last.” Explaining that she didn’t want to end up like Elena Ceausescu, wife of Romanian dictator Nicolae Ceausescu who was executed along with her husband last December, Mrs. Menem warned, “This country is going to the devil.” She predicted that by August, her husband’s monetarist economic plan would fail.

Putting to one side the Menems’ marital problems, highly publicized in recent weeks, Zulema Yoma de Menem’s assessment of the government’s economic policy is right on the mark. At the behest of the International Monetary Fund (IMF) and foreign creditors, the Peronist Carlos Menem has ignored the country’s development needs and embraced free-market quackery instead. And now, in preparation for U.S. President George Bush’s mid-September visit to Argentina, Menem is preparing to dispense with what little economic and political sovereignty the nation has left in exchange for expected monetary rewards and new investments from the United States.

Over the past months, government policy has been geared toward obtaining renewed lending from the IMF, which was in fact granted on May 25. Citing “improved management” of the economy, control of inflation, and promises to quickly implement a vast plan to privatize the state sector, which is the cornerstone of Menem’s program, the IMF agreed to release \$240 million of a \$1.4 billion loan which was suspended last year due to non-compliance.

All is not roses, however. Finance Minister Erman González was able to generate an operating budget surplus over the past few months only by resorting to a series of drastic austerity measures, including keeping state sector wages well below those of the private sector and not paying suppliers who sell to the state sector. But even with these tricks, not only will the government not come close to the \$900 million surplus for the April-June period which the Fund is demanding, it may be faced with a \$200 million deficit. Add to this the fact that inflation is moving up again—May’s rate is expected to be over 12%—and industrial production continues to drop dramatically. According to the private think tank

FIEL, industrial production dropped by 20% between April of 1989 and April 1990.

Free-trade looting

Aware that the newly achieved “stability” is by no means guaranteed, Menem is hoping that his many concessions to the Bush administration in the economic, political, and military realms, will attract enough foreign investment and financial backing to keep the situation under control. According to the May 25 issue of the Buenos Aires daily *El Cronista*, Argentine and U.S. officials have now begun to negotiate the creation of a free-trade zone which will allegedly facilitate the placement of both countries’ products in each other’s markets.

El Cronista reports that State Department officials are pressuring Argentina to not only quickly come to an agreement on this project, but to also play a key role in helping to organize a “competitive economic region” composed of Brazil, Argentina, and Chile. According to the paper, the State Department describes such a zone as one based on “institutions of republican democracy and the development of a competitive and free-market capitalism.”

As in the case of a U.S.-Argentine free-trade zone, the real purpose of a Southern Cone economic zone is simply to put an end to economic sovereignty by opening up the region to unbridled foreign looting, taking advantage of abundant natural resources, a skilled but cheap labor force, and removal of foreign investment and trade restrictions to encourage “free enterprise.” By the end of June, Menem is scheduled to meet with his Chilean and Brazilian counterparts to discuss the scheme, and according to the May 25 *El Informador Público*, a strategic deal between the U.S. and the three Southern Cone countries is expected to be worked out prior to Bush’s September visit.

Currently, officials such as Argentina’s ambassador to Brazil, José Manuel de la Sota, are promoting a “new Pan-Americanism”—the phrase used by the Bush administration to refer to a continent-wide looting scheme based on free-market policies. De la Sota told the May 28 *El Cronista* that he will dedicate his ambassadorship to forging Brazilian-Argentine integration.

Menem’s groveling before the U.S. has gone so far that he has made major concessions to Argentina’s historical enemy, Great Britain, at Bush’s request. Despite lingering popular anger over Britain’s brutal treatment of Argentina during the 1982 Malvinas War, Menem has now agreed to increase food and medical supplies, as well as transportation and communications, to British troops stationed on the Malvinas Islands. The May 25 *El Informador Público* reported that the Argentine national oil company, YPF, is preparing to cede an important area of the country’s south to a British oil company, probably British Petroleum, for oil exploitation. The same paper also reports that as part of a deal with the U.S., Menem may be willing to pay as much as \$1.1 billion to the Thatcher government. for the losses during the 1982 war!