

# Menem delivers Argentina's sovereignty on a platter

by Cynthia R. Rush

Argentina's nationalist Army leader Col. Mohamed Ali Seineldín told an interviewer for the newspaper *Ultima Edición* in early July, that at the heart of Argentina's current crisis was a "moral, rather than an economic" problem. Adding that what most worries people "is the loss of the moral and material quality of life, hunger, unemployment, and the feeling of insecurity," Seineldín admonished that "only by once again recovering public morality, can we attain sovereignty; only nations whose leaders are corrupt, lose their sovereignty."

President Carlos Menem appears bent on proving the correctness of Seineldín's assertion. The nation is suffering from record unemployment and decline in production, and ever more visible poverty. Yet Menem is proceeding with the monetarist economic policies dictated to him by the International Monetary Fund (IMF), and giving up what little sovereignty the country still enjoys to please the Bush administration. Plagued by a series of corruption scandals, growing social unrest and strikes, Menem nonetheless recently predicted that when George Bush visits the country in September, the American President will be "astonished" at the government's achievements.

Achievements? The Argentine statistical agency, INDEC, reported in July that unemployment in greater Buenos Aires, which accounts for nearly half the nation's work force, is at the highest level in history. Of the 4.5 million people in this region who are capable of working, 8.8% are unemployed, while another 8.4% are underemployed. As the daily *Clarín* noted on July 18, were it not for the fact that thousands of skilled Argentines have left the country in recent years in search of jobs abroad, and that another half-million people have dropped out of the statistics altogether, the figures would be much higher. Between May 1989 and May 1990, unemployment increased overall by 15%, and in sectors such as construction, the increase was as high as 65%.

## Export everything, import nothing

The unemployment rate makes clear that the country's productive apparatus is rapidly shrinking. Menem is attempt-

ing to quickly sell off state-sector companies to foreign creditors and private interests, but the government's commitment to strict austerity guarantees that no new job opportunities will open up in the private sector to employ those who will lose their state-sector jobs. The government has pointed to its \$4.1 billion trade surplus for the first half of 1990 as proof of its successful economic policy. However, the fact that the \$1.8 billion figure for imports during that period is the lowest in the last 10 years, particularly for the most productive types of economic activity, demonstrates the depth of internal recession. The contraction in areas such as manufacturing is reflected by a 17.9% drop in imports of capital goods parts; imports of raw materials and intermediate goods dropped by 18.5%, in comparison to the same period a year ago.

The \$5.9 billion export figure is the highest in a decade, representing a 25% increase over the same period of 1989; but exports are largely of primary products with very little value added, which generate very little employment or economic activity. Between January and June of this year, exports of primary products increased by 66.4%, for the first time surpassing manufacturing exports. The high overall export level is not the result of greater production, but of large surpluses due to the shrinkage of internal demand and purchasing power.

A commentary in the July 18 *Clarín* noted that if a similar trade surplus were achieved for the second half of the year, the government "could meet commitments with foreign creditors, allowing it to service the country's \$60 billion foreign debt." This would be done at the expense of industry, however, "which can't buy inputs, or repair machinery." Despite these facts, Finance Minister Antonio Erman González is following the advice given by International Monetary Fund director Michel Camdessus, when the latter visited Buenos Aires in June. To achieve stability, Camdessus said at that time, "a permanent adjustment of the economy is necessary." A high-level source at the Finance Ministry told *Clarín* that, in order to avoid a new surge of inflation, the government will not allow wage increases, and will intensify "fiscal adjustment," while it attempts to accelerate the "opening up"

of the economy as demanded by foreign bankers. Inflation for the month of July is expected to be at least 14%.

### **'Porno-liberalism'?**

Public opinion polls in Argentina still claim that Menem and his policies enjoy support. But a number of scandals directly related to the implementation of economic policy, and the public's response to them, show otherwise. When Menem's estranged wife, Zulema Yoma de Menem, publicly attacked the government's austerity policies and vowed to reveal corruption among the President's closest circle of advisers, the President had her ousted from his official residence. Popular opinion rallied to her defense, particularly responding to her warning that the country was "going to the devil" because of the government's economic policies.

Other scandals, such as the recent uproar over the unexplained deaths of 32 psychiatric patients at the Moyano Hospital for Women, have also shaken the government. The popular undersecretary of health, Matilde Menéndez, refused to be scapegoated for the deaths and revealed that, in the name of fiscal austerity, the Finance Ministry had taken control of the budget out of the hands of Health Ministry officials who should have had authority to allocate funds for food and medication.

Menem is in real trouble with the latest scandal, involving the head of the state telephone company ENTEL, María Julia Alsogaray. Pictures of the semi-nude 47-year-old daughter of the ultra-conservative Alvaro Alsogaray, a follower of Austrian quack economist Friedrich von Hayek, appeared recently on the front cover of the local news magazine *Noticias* and were promptly reproduced in every major newspaper in Ibero-America. In defending her new "image," María Julia, whose family boasts of its staunch Catholicism, whined that "if I let loose, it's because I learned from Carlos Menem, for whom I have enormous affection. I care for him very, very much." Having not quite enough rope to hang herself with, she added, that she and the President were "like two mules, who complement and need each other."

The photo episode followed by a few weeks the completion of a deal in which Citibank and the Spanish telephone company Telefónica offered \$5 billion in debt-swap offers for ENTEL. The deal is a total giveaway to creditors and investors, because it allows them to arrange their \$5 billion in debt relief by purchasing discounted Argentine debt paper on the secondary market—at 13 cents on the dollar—and exchange this for equity in ENTEL. Thus, even with a \$214 million cash payment to the government, they pay far less than \$5 billion for the whole deal. Nonetheless, Menem and Miss Alsogaray praised the giveaway as a major achievement and proof of the privatization process's successful beginning.

Opponents of Menem's economic policies have lost no time in attacking them, following Alsogaray's "letting loose" incident. One deputy charged that María Julia "privatizes state-run companies with the same frivolity with which she

appears in these photographs. . . . But the price of that frivolity is being paid by the man in the street, who suffers from this crisis." Former Radical Party deputy Lucí Alberti charged that if Menem and María Julia deal with each other like "mules . . . then the government is in the hands of hybrids" and "decadents."

From Venezuela, where the government of Carlos Andrés Pérez is embarked on the same kind of IMF policy as that applied by Menem, columnist Rafael Poleo wrote in the July 23 *El Nuevo País* that the "state mission" of the oligarchic Miss Alsogaray, who he described as suffering from "the Joan Collins syndrome," was to "distribute pieces of public property" among her high-society friends. "Do you believe that these 'things' that have befallen we Latin Americans, can really be called governments?" Poleo asked.

Argentina's working people aren't amused by these developments or by the unprecedented poverty afflicting them. Despite the Finance Ministry's insistence that it will not permit wage increases, over 700,000 workers are currently engaged in some strike activity in demand for better wages. The 350,000-strong Union of Metal Workers (UOM), which has already staged two 48-hour strikes in July, is reportedly planning an all-out general strike before the end of July over its demand for a 37% across-the-board wage increase. Other unions, such as teachers, construction workers, and bank workers, are also engaged in wage negotiations and are likely to strike as well.

### **No help from Bush**

Menem, mistakenly, thinks that the relationship he has cultivated with the Bush administration will bail him out of problems at home brought about by his harsh austerity program. Washington policymakers, such as the Treasury Department's David Mulford, have admitted publicly that no new money will be forthcoming in Bush's recently announced "Enterprise for the Americas" plan to create a hemispheric free-trade zone. Menem nonetheless continues to gush over the fact that relations with the United States are at an "all-time high" and that Bush will be so pleased with the government's reform of the state sector and economic liberalization, that he will provide some major assistance.

In the framework of the Bush proposal, on July 5-6, Menem met with his Brazilian counterpart, Fernando Collor de Mello, to discuss how to integrate the two nations' economies, as a first step toward achieving the integration of the Southern Cone nations, desired by the U.S. State Department. The two Presidents decided to send their respective foreign ministers on a joint trip to Washington in early August, to discuss how to further advance the region's incorporation into Bush's free-trade scheme. The July 17 *Clarín* reported that this trip will "facilitate the insertion of the Southern Cone into Bush's free trade proposal made last month, which should integrate the hemisphere from Alaska to Tierra del Fuego."