

Argentine government refuses IMF 'medicine'

by Gonzalo Huertas

On April 1, a mission from the International Monetary Fund (IMF), made up of five officials headed by Italy's Teresa Minassian, arrived in Buenos Aires. Within the week, a national scandal had broken out over the mission's arrogant demands for more austerity and "quick corrective action" to keep up "investor confidence" in the country. By the end of the week, the Carlos Menem government had rejected the IMF's demands, and at least one ruling party politician was describing the members of the mission as "five imbeciles disguised as experts."

The Fund had demanded of the Menem government—in the form of a confidential document which the government chose to make public—approval of a "mini-package" which included the following elements, among others:

1. That the so-called "Laura Plan," for construction of 10,000 kilometers of highways, intended to unite all the provincial capitals of the country, be eliminated;
2. That the "labor flexibility" bill, which the government, the opposition, and the trade unions have agreed to, but which the Fund considers "too soft," be dropped;
3. That budgetary allocations for public works be frozen;
4. That the taxable base of the value-added tax be broadened;
5. That fuel prices, in the event that the public accounts deficit is not brought under control, be increased.

These measures, according to the IMF, are necessary to avoid a 1998 trade deficit, currently expected to hit \$8 billion, and a current accounts deficit that "would reach levels higher than those of Asia and close to those of Mexico just before the crisis," according to one local newspaper.

Despite the intense pressures and arrogance of the Fund, and notwithstanding Argentina's past seven years of toeing the IMF line, starting with implementation of the economy-wrecking Convertibility Plan, the Fund's prescriptions this time were resisted. The differences from earlier years were several:

1. It is already common knowledge that the international financial system is collapsing, and Menem has a keen enough nose to be able to smell which way the wind is blowing.
2. The IMF has already failed, publicly and visibly, in several Asian countries.
3. Argentina is one year away from Presidential elections, and Menem knows that this time he cannot embrace

the IMF's proposals and still hope to win reelection. The ruling Justicialist Party's loss in last October's mid-term Congressional elections, was an unmistakable warning sign.

'Let them worry about Asia!'

On April 3, less than 12 hours after arriving in Buenos Aires from an official tour of Australia and New Zealand, President Menem called a meeting of his cabinet to "dot the i's." According to newspaper reports, Menem entered the meeting in a rage, and called his Economics Minister Roque Fernández on the carpet for having publicly discussed his differences with the government's economic proposals, and his agreement with those of the IMF.

In that meeting, Menem stated that "the IMF cannot meddle in Argentina's internal affairs. It is warning that the economy is going to overheat, but that's a lie. Why doesn't the IMF worry about the crisis of the Asian economies, for which it is responsible?"

On the same day, the secretary general of the Presidency, Alberto Kohan, commented ironically on "the professional abilities of the IMF's experts": "Now they are trying to rebuild their credibility, because things didn't go so well for them in Asia, where the crisis certainly caught them by surprise," he said.

In his turn, Humberto Roggero, the Peronist whip in the Argentine House of Deputies, when asked to comment on the IMF's "suggestions," stated to Radio America on April 5: "It's as if they were pulling our leg. It almost seems disrespectful. Look, why, if we are fighting against unemployment, social problems, and the problem of marginalized people, would we tell people that we're going to cool off the economy just because five imbeciles disguised as technical experts say these things?"

The IMF has lost its authority

Roggero added that the IMF delegates "are more concerned with saving their scalps, after the huge mistakes they've committed in Southeast Asia. They've lost the moral and technical authority to talk. What they are trying to do seems almost tragicomical to me."

These statements of the Argentine government and others fell like a bath of cold water on Argentina's bankers, who have been demanding that the IMF's recommendations continue to be applied to the letter. At the same time, the so-called opposition, headed by the political coalition "Alliance" (UCR-Frepaso), has maintained a suspicious silence on the whole issue. Earlier, one of the leading Presidential candidates of the Alliance, Graciela Fernández Mejjide—who has the support of the City of London financiers—agreed with the IMF that the government's plan to build highways around the country, the so-called Laura Plan, is "pharaonic and unnecessary."