

# United States turns back on crisis in Argentina

by Cynthia Rush

The breakdown of the Argentine economy has surpassed crisis proportions. The day-to-day existence of the average citizen, let alone the poorest sectors, has become a nightmare. Obtaining the most basic necessities of life, including food, getting to and from work, and providing for one's family, have become often impossible tasks under conditions of hyperinflation, food shortages, a recently imposed state of siege, and riots and looting now afflicting major metropolitan areas. At least 1,000 people are under arrest in the industrial city of Rosario, another 500 in the capital city of Buenos Aires, and 14 are known dead as a result of the social upheaval which occurred during the last week of May. Soup kitchens have been set up in several cities to distribute food to the poor, in an effort to avert further violence.

The social and economic crisis in Argentina worsened dramatically after the May 14 presidential elections, in which Argentines voted overwhelmingly against the International Monetary Fund's policies, implemented during the last six years by social democrat Raúl Alfonsín of the Radical Civic Union (UCR). Peronist Carlos Saúl Menem came away from the elections with a solid mandate for repudiating the IMF and embarking on a program of national economic and industrial development.

Despite the magnitude of this crisis, the Bush administration and affiliated banking circles have shown no interest in rescuing their erstwhile ally, the Alfonsín government. Fearing that a future Peronist government will rally nationalist forces to break Argentina out of the IMF's grip, these groups are prepared to write off the country, letting its institutions dissolve, in the hope that this will weaken Menem's ability to govern. Always an enthusiastic supporter of Alfonsín's "democracy," the State Department saw no problem with the May 30 suspension of constitutional guarantees, and its only public comment thus far has been to "urge Argentine political and economic leaders to work together to implement measures to stabilize the economic situation."

Because Argentina has failed to make interest payments on its \$60 billion debt for the past year, banks are now deciding whether to categorize the country's credit as "value impaired," a move further affecting its standing in the international banking community. In a June 1 Reuters report, Susan Kaufman-Purcell, speaking for David Rockefeller's Americas Society, explained that Argentina shouldn't expect

any foreign assistance because of its long history of mismanagement. "Why do anything for Argentina? It's just pouring money down a deep, dark hole," she said. Kaufman-Purcell argued that the current crisis was unrelated to Argentina's debt burden.

## 'War economy'

Having failed to rope Menem into a scheme for "co-government" or a coalition arrangement following the elections, in which the President-elect would become complicit in continued application of IMF austerity, Alfonsín announced his intention to stay in office until Dec. 10, the scheduled date for Menem's inauguration. This, despite a national outcry for an early transfer of power. "We are facing a social explosion," warned Saúl Ubaldini, secretary general of the Peronist-dominated General Confederation of Labor (CGT). "This government has lost the credibility it once had, and we think that handing over power could lend a different consensus to any steps that may be taken," the labor leader said on May 31. One joke making the rounds of Buenos Aires bars, according to Reuters news service, is: "The Radicals are like Halley's comet. No one is going to see them again for 86 years."

Despite the popular disdain with which he and his government are viewed, on May 23 the Argentine President announced the formation of a new "crisis cabinet," including members of the same UCR inner circle responsible for the government's repeated policy disasters. New Finance Minister Jesús Rodríguez is a 33-year-old protégé of former Finance Minister Juan Sourrouille, who was forced out of office in late March because of his inept handling of the economy, but who has remained at Alfonsín's side as a key adviser. Rodríguez, a member of the UCR's left-wing *Coordinadora*, is a political nobody and has no credibility among the country's political and financial circles.

It is no secret that both Sourrouille and the hated former finance undersecretary, Mario Brodersohn, formulated the economic program which Alfonsín presented to the nation on May 29 under the rubric of a "war economy." Argentines who have suffered repeated IMF "shock" programs for the past six years, are now asked to swallow what the discredited President had the audacity to call "the last great undertaking of my presidential term": a new round of spending cuts,

increased public utility rates, suspension of all state-financed public works, and taxes on agricultural and industrial exports.

Within hours of this announcement, people were out in the streets in several cities, ransacking supermarkets, stores, and small businesses. On May 30, the country's second largest city, Rosario, in the province of Santa Fe, was the scene of violent looting. Mobs attacked and cleaned stores and supermarkets out of food stocks, and forced those merchants who chose to remain open to arm themselves with whatever weapons they could find. Looters also attacked private homes in residential areas. Looting occurred in several areas of metropolitan Buenos Aires.

In response, the government ordered the imposition of a nationwide state of siege, and sent in national guardsmen and police from neighboring provinces to restore order to Santa Fe. Some local observers told *EIR* that the on-the-ground situation did not justify the imposition of a national state of siege, and saw the announcement as a political maneuver by Alfonsín to preempt an early takeover by Menem, perhaps even leading to a form of self-inflicted coup which could prevent Menem's takeover altogether. However, on May 31, the national Congress approved the state of siege for a period of 30 days.

Among the 1,000 people arrested in Rosario were known leftists belonging to the MAS (Movement Toward Socialism) party, and the Trotskyist MTP (All for the Fatherland Movement), whose members participated in last January's terrorist assault on a Buenos Aires military base. At that time, it was revealed that members of Alfonsín's own cabinet were linked to MTP. Interior Minister Juan Carlos Pugliese reported that many of the looting groups were well organized, and made effective use of cars, weapons, and sophisticated electronic devices that interfered with provincial police communications. "Therefore, there is an entire organization that has nothing to do with people's needs, which are valid."

It is known that these leftists used poor people, largely women and children who inhabit city slums, as cannon fodder in confrontation with police. Among the dead were children as young as 9 years old.

## Policy brawl

Raúl Alfonsín met with Carlos Menem privately on May 31, apparently in another attempt to seek the President-elect's backing for new austerity measures. But a communiqué released after the meeting, which was signed only by Alfonsín, stated that the two had agreed to form a bipartisan commission of Radicals and Peronists which would travel shortly to the United States to discuss Argentina's debt. Menem told reporters, "I am ready to assume responsibility when circumstances demand."

Menem has maintained a strict distance from Alfonsín's policy. Within the Peronist camp, however, a battle is raging over the nature of the economic program which should be

adopted by Menem. In what is reportedly a move against an openly monetarist program prepared by economist Domingo Cavallo, who calls himself a Peronist, but is a disciple of the Massachusetts Institute of Technology-based economist Rudiger Dornbush, Menem announced that he intends to adopt a program prepared by the Argentine-based Bunge and Born grain cartel and to name a former vice president of that firm, Miguel Roig, as his finance minister. The Bunge and Born plan is based largely on the econometric model of American Nobel Prize-winner Lawrence Klein, whose poisonous recipes have propelled other Third World nations down the path to collapse—among them, Mexico.

In a private presentation given to Menem on May 23 in Buenos Aires, an executive of Bunge and Born's Peruvian affiliate, Jorge Vaca, explained that the program was intended to reduce inflation to 12% annually over a period of 18 months, not by provoking recession, but by stimulating the internal market, raising wages, and controlling prices. The plan is supposed to provide cheap credit for industry and reactivate idle installed capacity.

Premised on Argentina's agricultural and oil producing sectors forking over a total of \$3.5 billion in capital, an advance against future grain and oil sales, the program includes few specifics on implementation and no strategy for national development. It calls for removing national tariff barriers, "opening up" the economy to make it more competitive, and devaluing the national currency.

Described by some analysts as the "least bad" of the options available to Menem, the Bunge and Born plan is said to be modeled on the economic strategy adopted by Peruvian President Alan García in 1985. An elaborate public relations job paints Bunge and Born as a purely "Argentine" company, which employs thousands and has made major contributions to the nation's economy.

Under current conditions, however, anything less than an aggressively nationalist industrial-development program, premised on a full break with the IMF, could not last more than a month or two, once Menem were in power. The breakdown of economic structures is such that the incompetent "B&B Plan," as it is being called, would quickly result in a further blowup of the debt crisis and certain confrontation with the powerful CGT trade union.

The day-to-day existence of a large portion of Argentines is in jeopardy. In May alone, consumer sales have dropped by 70% as a result of hyperinflation. Because of a severe shortage of the national currency, the austral, all commercial transactions are now conducted in dollars. CAME, the Coordinator of Business/Commercial Activities, reports that citizens can only afford items such as meat, eggs, or vegetables by buying them in the smallest possible quantities—meat portions of no more than 150 grams each—about one-third of a pound. Many workers have decided to abandon their jobs, finding that the cost of transportation and a meal amounts to 90% of their wages.