

## Menem sweeps Argentine elections; what next?

by Cynthia R. Rush

In the May 14 presidential elections, incumbent President Carlos Saúl Menem won a solid victory with 49.5% of the vote, against 30% for his closest contender, José Octavio Bordón of the leftist Frepaso coalition, while Horacio Massaccesi of the Radical Civic Union (UCR) garnered a humiliating 17%. Menem's sweeping win gives his Justicialista Party an absolute majority in Congress, which he is expected to use to ram through further International Monetary Fund-dictated structural reforms to the Argentine economy, which had been delayed by political opposition.

Finance Minister Domingo Cavallo, who will stay on in the cabinet, is crowing that the election results prove the validity of his convertibility program, which pegs the peso one-to-one to the dollar, and that it was the key to the government's having rescued the country from hyperinflation in 1991.

In the final days leading into the elections, several pro-British analysts predicted that Bordón had gained sufficient ground to force Menem into a second round, possibly resulting in a win for the former Peronist governor of Mendoza province. Bordón, a member of the Inter-American Dialogue, a Wall Street-linked think-tank, didn't distinguish himself from Menem on programmatic questions; he fully backed the government's speculation-based, free-market policies. Instead, he launched broadside attacks against Menem, charging him with corruption.

Bordón otherwise acted as an outright agent of the Castroite São Paulo Forum, whose witchhunt against the Armed Forces and charges that the government is covering up files relating to the 1970s war against subversion were used to scandalize Menem in the period leading up to the election. Bordón joined the chorus of human rights lobbyists demanding that military personnel be tried and punished for past human rights abuses, and even called for a "truth commission" similar to what the United Nations set up in El Salvador to destroy that nation's military.

In the end, however, people opted for Menem—not because, as the President and Cavallo claim, they think the government's economic model "works" and have reaped benefits from it. On the contrary, having suffered severe austerity in recent months and the fallout from the crisis

triggered by the Mexican peso devaluation last December, Argentines are extremely fearful about the future; but they saw no other alternative to Menem and weren't prepared to hand the government over to the leftist Bordón. The offensive against the Armed Forces has also started to backfire.

### Kissinger weighed in

In the period leading up to the elections, Menem and Cavallo performed a complicated ballet to prevent the country's crisis-ridden financial and banking system from following the Mexican route. Over \$8.5 billion fled the banking system between December and April, and oligarchical concerns over the fragility of the Argentine situation were such that heavyweight Henry Kissinger was deployed in early April straight from London to lobby on behalf of the "Argentine model" and Menem's reelection. Cavallo managed to cajole multilateral lending agencies into providing \$9 billion to help prop up the banking system.

Claims that "Argentina is not Mexico" got the duo through the elections—barely. But the harsh austerity policies they are expected to apply, as demanded by the international banking community, will only hasten the explosion which is brewing.

As the London *Financial Times* argued editorially on May 16, Menem may have performed satisfactorily so far, "but Argentina has a long way to go" before it complies with the standards of a "competitive market economy" desired by the City of London. With an unemployment rate of 12.2%, which could go up to 14% by year's end, Menem is promising to create 330,000 jobs a year. But, the paper warned, "fiscal laxity will be severely punished by the financial markets, so the government will be limited in its ability to create jobs directly." Instead, the London daily demanded, the government must ram through social security and labor reforms, measures which will eliminate job security and collective bargaining, and target the elderly for destruction.

The planned privatization of the provincial banking system, which will eliminate smaller state and cooperative banks, will deny small and medium-sized businesses access to credit, causing shutdowns and layoffs in regions already convulsed by popular anger over the inability of provincial governments to pay their workers' wages. Demonstrations and strikes in several provinces erupted in the months preceding the election and will escalate as austerity deepens.

Of course, Menem has the option of turning his back on this agenda, and there are some indications that nationalist forces are pressuring him to do so. Even the remote possibility that he might decide to follow the route of Peruvian President Alberto Fujimori, and wield personal power to defend national institutions, has London extremely nervous. This is why the *Financial Times* insisted that Menem's priority should be to "rebuild the institutions of state to provide enduring confidence in the economy. . . . Stability hangs on too narrow a thread if it depends on one individual."