

# The IMF Unleashes Upheaval in Argentina

by Gonzalo Huertas

Three months ago, *EIR* warned that the International Monetary Fund's policies imposed on Argentina had pushed the country to the brink of disintegration. The letter of intent signed with the IMF on Jan. 29, committed the government of Fernando de la Rúa to harsh austerity policies that gouged consumption and living standards by raising taxes, while shutting down what little remained of real production. At the center of the package was the promise to reduce the fiscal deficit to zero by the year 2003, and to reduce the provincial deficit from \$3.7 billion last year to \$2.2 billion this year.

Then, on May 29, the government introduced yet another austerity package—de la Rúa promised this would be “the last one”—the centerpiece of which was slashing wages of 144,000 public employees, as well as deregulating labor-run health insurance programs to ensure “competition” with privately run programs, as well as further budget cuts. The government also succeeded in passing “labor reform,” or “labor flexibility” legislation, as it is called by the IMF, which will eliminate most union benefits. Lawfully, all these measures have produced social protest around the country. Even deputies from de la Rúa's Alianza coalition in the Congress broke ranks and denounced the austerity package.

The disintegration of the world financial system, further complicated the Argentine situation. Every time the U.S. Federal Reserve increases interest rates by 0.5%, Argentina's debt increases by approximately \$500 million. As Hector Valle, the director of the FIDE economic think-tank, warned at the end of April, “The danger of the spiralling crisis is a wake-up call, since we need financing from abroad to deal with our balance of payments. . . . Self-consoling forecasts always clash with reality. The current economic policy leaves us only more fiscal adjustment and new labor reform to deepen wage deflation.” Under these circumstances, the slogan used by de la Rúa's Alianza coalition used during the 1999 Presidential campaign, is coming back to haunt it. Today, people are demanding “jobs, jobs, jobs!”

## Provincial Breakdown

At the IMF's behest, the government began to cut the jobs program known as “Plan Trabajar,” created by the Carlos Menem government, to offer “temporary” jobs at

\$200 a month to the unemployed in the provinces who lived in conditions of extreme poverty. This created a time bomb for provincial governments. At the same time, the government reduced funds to the provincial governments, supposedly as part of the effort to reduce the provincial deficit to zero. Not surprisingly, provincial tax revenues also dropped. According to the Finance Ministry and the Fundación Capital think-tank, the government has withheld up to 50% of federal revenue-sharing funds to 15 out of Argentina's 23 provinces, to cover provincial debts. The most dramatic cases are the provinces of Río Negro and Tucumán, 97.3% and 91.2% of whose revenue-sharing funds, respectively, have been withheld.

These draconian measures have unleashed enormous nationwide protest against the IMF economic model. Hugo Moyano, the head of the Argentine teamsters union, who runs the more radical or “rebel” faction of the General Confederation of Labor (CGT), has emerged as the most visible leader of this protest. Moyano had previously organized two mass demonstrations against the government's labor reform, as well as a successful national strike on May 5. The labor leader explained, however, that the reason for the strike was not just the labor legislation. “This reform is part of a greater evil, which is the economic model,” he said. “We're prepared to fight against the International Monetary Fund, from which the government takes orders.”

## 'No to IMF Adjustment'

On May 31, with support from the Catholic Church, Moyano organized an impressive 100,000-person march against the IMF, culminating in a demonstration at the Plaza de Mayo across from the Presidential palace, the Casa Rosada, in Buenos Aires. The “official” CGT, which had compromised with the government to ensure passage of the labor reform, was forced to lend its support as well. Marchers carried a 50-meter Argentine flag, with the words, “No to IMF Adjustment!” Moyano had emphasized that union members should carry only the Argentine flag, not their union banners, as a display of national unity. Legislators from the ruling Alianza party, Peronist party leaders, politicians, students, municipal leaders, human rights groups, and others, participated in the march. In a rousing speech before the large crowd, Moyano announced both the creation of a national “resistance front” against the IMF “model,” and a nationwide strike for June 9 against the “financial dictatorship” ruling the country.

“We're going to hold pots and pan protests, blackouts; we're going to hit them where it hurts; we're going to organize with the PyMes [small and medium-sized businesses], with farmers, and we're going to call for fiscal disobedience [no-payment of taxes] so that the labor of Argentines doesn't go to the foreign debt,” Moyano said.

On June 9, another successful nationwide strike against

the IMF took place. Protests around the country are occurring at a rapid rate. One major conflict in the northern province of Salta occurred on May 2, when 300 former members of the "Plan Trabajar" jobs program blocked off national highway No. 34 which extends into Bolivia, to demand payment of back wages and jobs. The federal government sent in units from the national police to remove the protesters, which then led to further chaos and violence.

"Activists" linked to Fidel Castro's São Paulo Forum are suspected of being involved, and, according to reporter Joaquín Morales Solá of *La Nación*, it is suspected that drug-trafficking interests may have also been involved. As a result of police attempts to remove the protesters, 47 people were hurt, and a truck was set on fire. Right before this occurred, more than 30,000 citizens near the municipality of General Mosconi, gathered at the roadblock in support of the protesters. Demonstrators sang the national anthem, and carried banners with the image of the Virgin of Fatima.

The intervention of the Catholic Church prevented the protest from spreading, and succeeded in getting the government to promise to pay back wages, reestablish the Plan Trabajar to create 3,000 new jobs, not file charges against any of the protesters, and create a \$150,000 fund to bail out small and medium-sized businesses in the region. In all, the government's solution to the crisis in General Mosconi means that it will have to pay out \$2 million between now and the end of the year.

But this wasn't the end of it. Even as the General Mosconi situation was cooling down, five new conflicts erupted over the demand for jobs, in the northern province of Jujuy, Comodoro Rivadavia (province of Chubut), Cipoletti, and Cutral-co (province of Río Negro), and in other parts of Salta. Earlier, on April 26, hundreds of workers in the northeastern province of Chaco had taken over the provincial Congress, to protest a deal with the federal government in which the provincial government will impose a number of new austerity measures.

### **Adding Fuel to the Fire**

The alarming nature of the provincial crisis was laid out in an intelligence report prepared by the national police for the federal government. According to the daily *Página 12*, the report warns there are seven "high-priority" districts in which conflict is likely to erupt: Salta, Catamarca, Jujuy, Tucumán, Neuquén, Entre Ríos, and Chaco. Misiones, Río Negro, Corrientes, Chubut, and Tierra del Fuego are identified as "medium-danger" areas, and Formosa, Mendoza, Santiago del Estero, and Buenos Aires are listed as "low-priority" regions. The report admits that "social conflicts have increased, and should solutions not be found, these could worsen in the short- to medium-term, and be used by radicalized groups to provoke incidents to alter public order." All of the mentioned crises are over demands for jobs and

payment of back wages.

Yet the government has no serious solutions to offer. On March 21, it announced a \$250 million anti-poverty program, to be financed by the Inter-American Development Bank and the World Bank, to help 455,000 families living "below the index of unmet basic needs," and whose monthly income is less than \$65 per capita. But this plan will only go into effect in 2001, according to "official sources" cited by the daily *Clarín*.

Referencing the government's handling of the Salta crisis, Córdoba Gov. José Manuel de la Sota remarked, "I have to say with sadness, that the government is very slow when it comes to offering solutions. There is no support for the unemployed, and you don't fix this with 'blah, blah, blah,' but by taking action."

The government itself now admits that Argentina is in recession. On April 19, during a meeting with farm leaders, Finance Minister José Luis Machinea stated that "the economy is not in good shape," and that "people must be badly off, after 18 months of recession . . . there are more than 2 million people living below the poverty line, more than 10 million poor, and 14% unemployment over the last four or five years. Why wouldn't people be in bad shape?"

### **Poverty Is More Than 60%**

In some regions, such as Jujuy, Gran Resistencia, Formosa, and Corrientes, poverty "is above 60%," according to a study by the Social Development Ministry. Moreover, in March alone, activity in the construction sector, which has grown the most in recent years, declined by 5.8% compared to the same period of 1999, according to the government statistical agency, Indec. One measure of the situation is the continuing decline in beef consumption. *Clarín* reports that between the 1970s and the early 1990s, consumption fell from 90 kilos per capita to 80 kilos per capita, and by last year, it had fallen to its lowest level ever, 60 kilos per capita.

Faced with declining production and a shrinking market, the private sector has been forced to contract more debt in order to meet its financial obligations. Between January and March, the private sector issued debt paper worth \$2.7 billion. In January, \$491 million in bonds of private companies and banks came due, but the private sector could only issue \$257 million of new paper, according to *Ambito Financiero*. Tax revenues also continue to fall. Fundación Capital reported that for the first quarter of this year, tax revenues fell by \$162 million compared to the same period of 1999, as "economic stagnation has determined, through price deflation, the fall of revenues by 1.4%, compared to the same quarter of 1999."

In the absence of any change in economic policy, tax revenues this year will be \$3.9 billion, instead of the \$4.9 billion forecast by the IMF.