

# Argentine economy out of control as elections near

by Cynthia Rush

On the eve of presidential elections, Argentina's economic crisis has taken a dramatic turn for the worse. The inflation which began soaring two months ago has now become hyperinflation, with April's rate expected to top 50%. Having lost 80% of its value on the free exchange markets in the last three months, the national currency, the austral, for all practical purposes doesn't exist. The economy is fully "dollarized," as an expression of the population's mistrust of the government's ability to run the country. The state is bankrupt, unable to finance vital services and day-to-day operations.

The comment from a member of the new economics team, which replaced that of former Finance Minister Juan Sourrouille on March 31, is revealing. "We've been left with no dollars, no australs, a huge repressed inflation, and everyone hates us."

This extraordinary crisis raises the question of whether the May 14 presidential elections will even take place. Faced with the likelihood that Peronist presidential candidate Carlos Saúl Menem will win the elections and bring to power a coalition of nationalist forces, factions of the ruling Radical Civic Union (UCR) led by President Raúl Alfonsín, are deliberately fostering chaos and uncertainty for the purpose of affecting the electoral outcome. Unable to distance himself from Alfonsín's economic fiasco, UCR presidential candidate Eduardo Angeloz has focused his campaign almost entirely around the theme that a Peronist government will mean a return to violence and terrorism. "You are right to fear for your physical safety," he tells supporters, evoking memories of 1970s violence and death squads which he attributes to Peronism.

The same State Department socialists and operatives of the U.S. "secret government" who are plotting the destabilization of Panama (article, page 30) are also coordinating with Argentine allies to maximize political and economic upheaval in the period prior to the May 14 elections.

In the event that Carlos Duque, the presidential candidate of Panama's pro-government COLINA (National Liberation Coalition) wins the May 7 Panamanian vote, Alfonsín is expected to follow the lead of Venezuela's President Carlos

Andrés Pérez and break diplomatic relations with Panama to protest the "undemocratic" outcome.

This move would have quick repercussions inside Argentina, especially among nationalist political, military, and trade union factions which have defended Panama against the insane U.S. policies and would tend to support Menem in the elections.

A coup by liberal military factions, or even some form of self-inflicted military coup—an *autogolpe*—by Alfonsín, is not to be ruled out. The social unrest or even violence provoked by economic chaos could serve as a justification for such a move.

The April 27 edition of the London *Financial Times* warned of the "alarming" possibility that if Carlos Menem doesn't win the May 14 elections, nationalist army officers led by Col. Mohamed Alí Seineldín will stage a rebellion against the government. Several times during recent months, pro-Soviet leftist groups inside Argentina have targeted Colonel Seineldín, a hero of the 1982 Malvinas war, with the argument that he was plotting a military coup.

What both leftists and British oligarchs object to is that a Menem victory would strengthen the coalition of military nationalists, Peronists, trade unionists, and Church circles which opposes surrendering the country either to the International Monetary Fund or the Soviets. As the *Times* wailed, Menem might bring back "old style Peronism—a strong Argentine state which welds workers, business and armed forces into an ideologically homogenous unit."

## It's not our fault

Government spokesmen assert that the current binge of speculation and panic buying of dollars is caused not by their IMF-shaped economic policies, but by public fear of a Menem presidency and a return of Peronism to power. "There is no technical or logical explanation" for the upheaval in the markets, Finance Minister Juan Carlos Pugliese explained on April 25. "Economic policies have nothing to do with this craziness," he said, adding that the government was powerless to change the situation. On April 27, Pugliese announced that a "stabilization program" would be put into effect prior

to the elections, but offered no details.

In fact, the current crisis is the logical outcome of the UCR government's obedient implementation of IMF policy over the past five years, giving payment of foreign debt a higher priority than the well-being of the Argentines, coupled now with a deliberate plan to unleash chaos in the few weeks prior to the elections. The UCR's Angeloz promises an even harsher IMF program if elected.

During the last week of April, the austral's value plunged to 100 to the U.S. dollar, down from 40 at the beginning of April. Interest rates for short-term deposits went up from 70% to 140% monthly on April 25. In an effort to beat soaring inflation, citizens have begun a mad buying spree, emptying supermarket shelves and exhausting stocks of cars, refrigerators, and other consumer goods. Prices in supermarkets and other stores are sometimes marked up as often as twice a day. As wholesale suppliers have continued to mark up prices, some supermarkets have opted simply to close their doors. In one small town in the province of Buenos Aires, in the space of one week, the price of bread increased by 54%, noodles by 40%, milk by 57%, sugar by 38%, and flour by 108%.

It is expected that many banks may soon have to close, as currency holdings are exhausted. For weeks, citizens have been closing their dollar accounts or withdrawing austral savings in order to buy dollars. On April 26, government authorities in Buenos Aires intervened in the prominent Banco de Galicia, a measure taken to prevent its outright collapse. The large Banco Rio de la Plata was rumored to be in financial trouble, as was the Banco de Quilmes.

Foreign reserves are no more than \$500 million, and prospects for increasing them look dim. Rather than exchanging their dollars at the rate established by the government, at a third of what they would bring on the free market, farm exporters are simply hanging on to their foreign currency, leaving the Central Bank very short.

Attracted by high interest rates on dollar accounts set by former Finance Minister Juan Sourrouille, agricultural exporters have already put \$3.6 billion into the economy this year. Only another \$2 billion is expected from agricultural exports in 1989, plus \$1.8 billion from industrial exports. With some understatement, the April 16 daily *Clarín* pointed out, "this is insufficient to meet the \$5.5 billion in 1989 imports, plus the \$3 billion in back interest on the foreign debt, not to mention the \$6 billion in interests which come due this year, or to pay the \$1 billion due in dollar deposits."

### **Menem is not our man**

On April 27, after weeks of relative silence on the Argentine crisis, the U.S. Eastern Establishment and London-based media suddenly announced that the outcome of the May elections is now "uncertain" and that no clear-cut winner is likely to emerge—this, despite Menem's significant lead in the polls and the financial debacle presided over by the UCR

government which has disgusted most of the electorate.

"Many voters remain undecided," the April 27 *Wall Street Journal* explained, "and many analysts say their concern over a worsening of the crisis is focused on the possibility of an unclear election outcome." The *Journal* and other press are predicting that the electoral outcome may well have to be determined in the Electoral College or even the Congress. In the midst of the current economic unraveling, such coverage is sounding the drumbeat for the creation of a coalition government, perhaps even before the elections.

Antonio Cafiero, the social democratic governor of Buenos Aires who is known as the "bankers' Peronist," has been the chief proponent of such a coalition scheme. Under "emergency" conditions such as those now in existence, the plan's main purpose would be to force Menem into dealing with more pro-IMF political groupings, probably including the UCR and the more Socialist International-linked factions within the Peronist movement.

The April 24 *Washington Post* explained the bankers' view quite clearly. Menem is a man "the country can ill-afford to have at the helm of its six-year-old democracy during a time of economic crisis and military unrest." What Argentina really needs, the *Post* asserts, is someone willing to make "painful" choices—that is, the draconian austerity and further gutting of living standards demanded by the IMF. Given the volatile nature of the debt crisis continent-wide, international bankers consider Menem's nationalistic proposals for a five-year grace period on the \$59 billion foreign debt, and demand for a "revolution in production," to be far too dangerous.

In a pointed intervention into this debate, Argentina's Catholic Bishops' Conference issued a statement March 9 on the elections. The bishops affirmed that since "all political effort falls under the moral law," citizens should support those political forces which "defend life in all its extension . . . that defend the primacy of man in his economic-social activity, valuing human labor in all its dimensions . . . maintaining the legitimate fight for justice, as well as the just distribution of material and spiritual resources." The bishops' statement was considered to be indirect support for Menem.

However, to ensure that the bankers' message not be missed, Henry Kissinger recently sent Alan Stoga, senior economist and partner at Kissinger Associates, to Buenos Aires to browbeat the Argentines further. After explaining that the country was "last in line" of those debtors that might expect assistance from the Brady Plan, Stoga went on to chastise the government for "not doing enough" in the last five years to allow the nation to "advance economically." All of Alfonsín's looting on behalf of the IMF hasn't been good enough, Stoga clarified. Argentina must now "insert itself into the world economy"—that is, deregulate and "open up" its economy, eliminate protective barriers to industry and the possibility of sovereign economic development. Only in that way, will it earn the "respect" of other nations, he warned.