

# Can Carlos Menem last much longer?

by Cynthia R. Rush

Argentine President Carlos Menem has spent virtually his entire term in office slavishly implementing the dictates of the Bush administration and bragging of his close personal friendship with George Bush. He has imposed brutal free market austerity on the population, and even sent two Navy ships to the Persian Gulf, despite his countrymen's stated opposition.

Where did all this get him? According to all reports, it has him close to walking out the door, resigning the presidency after having failed to keep the country sufficiently under control to please his foreign backers—especially those in the banking community. Even while Foreign Minister Guido Di Tella was still in Washington on Feb. 11-12 meeting with Bush, Secretary of State James Baker, and Treasury Secretary Nicholas Brady, and gushing over the U.S. "affection" for Menem, the International Monetary Fund (IMF) signaled the Bush administration's thinking when it announced on Feb. 13 that it will not be granting a \$240 million loan installment because of the government's failure to meet agreed-upon economic, fiscal, and monetary goals.

The announcement was a severe blow to Menem, and to Finance Minister Domingo Cavallo who had promised foreign creditors when he took office on Jan. 28 that he would quickly "balance the books" and stabilize the economy.

But Argentina is anything but stable, which is why Menem is now such a liability for Washington, as it seeks to bludgeon developing sector nations into submission to its new world order. It must be able to count on an Argentine government which can more effectively implement its dictates. From Washington's standpoint, Menem has bungled the job; he is now too discredited and unpopular to continue running the country. It's not just his flashy lifestyle and ostentatious wealth which have gotten him into trouble.

Menem's government is a cesspool of corruption which extends into his inner circle of advisers, including Legal and Technical Secretary Raúl Granillo Ocampo, who is implicated in several scandals. On Feb. 18, the agency charged with investigating corruption announced it was bringing criminal charges against Granillo Ocampo and former cabinet minister Roberto Dromi for "abuse of authority" in granting advantages to a U.S.-Argentine consortium involved in an energy project in the province of Neuquén.

Perceiving that such rampant corruption hampered his effectiveness, the Bush administration got Menem to twice reorganize his cabinet and vow to clean up the mess. To do so, however, Menem would have to attack political favorites and machinery he would rather not touch—such as the notoriously corrupt governor of Catamarca, Ramón Saadi.

## Economic chaos

The economy is reeling. Domingo Cavallo vowed he could be more effective than his predecessor, Antonio Erman González, in getting the situation under control so that the IMF and World Bank would start granting loans again. While the Central Bank continues to print money at an unprecedented rate, however, there is a general perception that Cavallo's plan has failed even before it has begun. He says he will raise an additional \$200 million in tax revenues monthly, but the expectation is that he'll be lucky if he can come close to \$150 million. What the government actually needs is a \$300 million monthly budget surplus to service its foreign debt. Agricultural producers, industrialists, and labor leaders all agree that Cavallo's program can only lead to deeper and more prolonged recession; no one can afford to pay higher taxes when the productive apparatus is shutting down and workers are being laid off.

The Feb. 15 *El Informador Público* reported that a 65% decline in retail sales over the past month will mean that at least 20,000 workers will be fired in the private sector. Even though inflation is exploding, Cavallo has prohibited wage increases for the state sector, aside from the paltry 250,000 austral (\$25) increase to be granted this month. Although the government states that the official unemployment rate is 8.6%, Labor Ministry officials admitted to the paper that real unemployment, plus underemployment, is 28%, and close to 35% in some provinces. The railroad workers strike which began during the second week of February continues, and has shut down train transportation nationwide.

Sources in Buenos Aires are predicting that Menem can't last in office more than a few months, if that. Said to be in a state of deep psychological depression, he made his first public appearance in weeks on Feb. 16 and told reporters he had been away on a "spiritual retreat" in a monastery, meditating and talking to monks. Delicate political negotiations, carried out by Menem's brother Eduardo, center around the creation of a coalition government, an option reportedly backed by the U.S. embassy in Buenos Aires. This would include the opposition Radical Civic Union (UCR), led by former President Raúl Alfonsín, as well as some opposition figures within Peronism. Washington's hope is that a government of this type might have more credibility to impose its policies and keep the country from exploding. But given the ferment sweeping Ibero-America, and popular rejection of George Bush's genocidal war against Iraq in almost every country, that is almost certainly wishful thinking.