Menem economic plan will spark a revolt

by Cynthia Rush

Argentina's President-elect, Peronist Carlos Menem, won't take power until July 8, but he has already gotten a taste of the type of confrontation he will face very soon into his administration if he applies the economic program crafted for him by Nobel Laureate Lawrence Klein and the Bunge and Born multinational grain cartel. The Peronist-controlled labor movement is ready to explode in anger at the President-elect's willingness to adopt policies tailored to what foreign creditors want, rather than the emergency "war economy" that the nation needs.

According to details released publicly, the Bunge and Born program is an orthodox shock program, intended to produce an "export-led recovery," much as the International Monetary Fund and foreign banks have long demanded. "Almost every sector of the community will suffer the effects of the economic adjustment," Menem warned recently, "and there will be a very great social cost." The plan calls for a tripling of public utility rates, a maxi-devaluation, imposition of large new taxes on agricultural exports, and drastic cuts in public sector expenses and jobs. Foreign investors will be encouraged to increase their participation in Argentina.

Menem also warned that the price of gasoline will go up so dramatically, that Argentines won't be able to afford it, and would do well to start using bicycles for transportation—like the Chinese!

There will be no peace

Contrary to the logic employed by Menem's advisers, deal-making with financial interests opposed to Argentina's real industrial development, such as those behind Bunge and Born, will not "stabilize" the country. The Argentine public has been so bludgeoned under the presidency of Raúl Alfonsín, that a call for people to swallow even more austerity and "sacrifice," for the purpose of "inspiring confidence" among Argentina's creditors, will produce quite a different result.

Foreign Minister-designate Domingo Cavallo, an economist who favors orthodox policies, spent time in Washington earlier in June sounding out financial institutions on their approach to Argentina. IMF and World Bank representatives told him bluntly the only way they will even consider granting any new loans, is if the new government first bites the bullet and makes appropriate "reforms." Cavallo reportedly called Menem to report that negotiations on the foreign debt would be extremely difficult, and to insist on adoption of a severe austerity program that would encourage creditors. But, as a commentator for the daily *Clarín* remarked in the June 18 edition, the Argentine people "have demonstrated a capacity for sacrifice which has reached the limits of tolerance."

For example, leaders of the Peronist-run General Confederation of Labor (CGT) are enraged at Menem's appointments for such crucial positions as president of the central bank and president of the state-run oil concern, YPF. Central Bank president Javier González Fraga is a monetarist consultant, whose clients include Chase Manhattan Bank. Rogelio Frigerio, named as YPF president, is closely linked to multinational oil interests; his appointment is viewed as a signal of future efforts to denationalize those state companies involved in natural resources, probably with the intention of selling them to foreign interests. The Peronist-run oil workers union, SUPE, has launched its mobilization to reverse the Frigerio appointment. The bank workers' union is doing the same on the González Fraga appointment.

Precisely because of such responses, and because of its traditionally strong anti-IMF position, the Bunge and Born interests view the "hard-liner" trade unionists as irritants who must be removed. While the economic plan contemplates a 150% wage increase, it has floated the possibility of "temporarily suspending" labor's collective bargaining rights which are guaranteed by law and which for years have permitted the CGT to defend workers' wage levels. According to deputy José Manuel de la Sota, a leader of Peronism's social-democratic "reform" faction, a severe adjustment program cannot be implemented "in the framework of unhindered functioning of collective bargaining."

In response, Labor Minister-designate Jorge Triaca, backed by the same liberal Bunge and Born business interests which demanded that former B&B executive Miguel Roig be named finance minister, has begun efforts to remove Saúl Ubaldini as the CGT's secretary general. A staunch defender of collective bargaining rights and of the CGT's "26 points," which include the call for a debt moratorium and nationalization of the banks, Ubaldini is viewed as a major obstacle to the eventual creation of a Mexican-style "social pact" in which unions, business and labor would agree on wages and prices, in the context of a continuing austerity program.

In light of current inflation—June's rate is now expected to surpass 130%—the 150% wage increase translates into a 20% increase in real wages, not enough to restore workers' lost purchasing power. Real wages have fallen 30% since December 1988, while purchasing power has declined 50% during the same period. Unemployment grows almost daily. Within the last month, the Labor Ministry officially registered 15,000 new unemployed, as a result of firings, reduced work schedules, and early vacations. Up through April the figure had been 1,140.