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ARGENTINA: PROSPECTS UNDER MENEM mf

SIC

SUMMARY

1. MUCH HOPE INVESTED IN MENEM, WHICH HE SEEMS DOOMED TO DISAPPOINT. DIRE ECONOMIC PROBLEMS AND CONTINUING, THOUGH MAYBE LESSER, DIFFICULTIES WITH THE MILITARY. THE FAINTEST GLIMMERS ON ANGLO-ARGENTINE RELATIONS, BUT NO POINT IN GETTING ONE'S HOPES UP TOO MUCH.

DETAIL

2. ON 8 JULY CARLOS MENEM BECOMES PRESIDENT OF ARGENTINA. ON 15 MAY HE ACHIEVED JUST UNDER HALF THE POPULAR VOTE. TODAY HE CLAIMS, PROBABLY WITHOUT EXAGGERATION, THAT HE WOULD OBTAIN 70 PERCENT IF THE ELECTIONS WERE REPEATED. TO MANY WHO VOTED AGAINST HIM (AND DREADED HIS VICTORY) HE HAS BECOME MIRACULOUSLY TRANSFORMED IN THE LAST SIX WEEKS INTO A POTENTIAL NATIONAL SAVIOUR. THE ENFANT TERRIBLE FROM THE INTERIOR IS SUDDENLY THE DARLING OF THE RIGHT. (ONCE HE IS IN POWER MIRACLES WILL BE HARDER TO PERFORM.)

THE ECONOMIC PROMISE

3. MENEM HAS ACHIEVED THIS ASTONISHING SPURT IN POPULARITY BY TWO MEANS. FIRST, HE HAS PREACHED CONCILIATION AND PROJECTED A MEASURED AND REALISTIC IMAGE IN HIS FREQUENT PRESS AND TELEVISION APPEARANCES. SECOND, HE HAS APPOINTED A MINISTERIAL TEAM WHICH REACHES OUTSIDE PERONIST RANKS (ALTHOUGH PARTY FAITHFULS ARE NUMEROUS AT THE SECOND LEVEL) AND OFFERS AT LEAST THE PROSPECT OF SOUND POLICES TO COMBAT ARGENTINA'S DREADFUL ECONOMIC ILLS. HIS ECONOMY MINISTER (ROIG) IS A SUCCESSFUL BUSINESSMAN, THE CENTRAL BANK PRESIDENT (GONZALEZ FRAGA) A BANKING CONSULTANT WELL-KNOWN AND RESPECTED BY WESTERN CREDITOR BANKS. THE FORMER HEAD OF THE CONSERVATIVE UCEDE PARTY (ALSOGARAY) HAS BEEN APPOINTED SPECIAL FOREIGN DEBT NEGOTIATOR AND HIS DAUGHTER CHARGED WITH THE TASK OF PRIVATISING THE STATE TELEPHONE COMPANY. THE GENERAL REMIT OF THE PUBLIC WORKS MINISTER (DROMI) IS TO

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PRIVATISE WHEREVER NECESSARY AND APPOINTMENTS IN THE STATE OIL AND AIRLINE COMPANIES REFLECT THE TREND.

4. MENEM HAS GIVEN HIS MINISTERS CONSIDERABLE AUTONOMY TO DRAW UP POLICIES. DETAILS ARE STILL BEING WORKED OUT BUT THE EMPHASIS IS ON RESTRUCTURING AND SLIMMING THE STATE SECTOR, MONETARY DISCIPLINE, FISCAL ORTHODOXY AND EXPORT PROMOTION. MENEM HIMSELF HAS WARNED OF TOUGH TIMES AHEAD AND MADE RINGING CALLS FOR SACRIFICE TO THE EXTENT OF SUGGESTING THE IMPOVERISHED CAR OWNERS FACED WITH MASSIVE PETROL PRICE RISES SHOULD TAKE TO THEIR BIKES). HIS LABOUR MINISTER (TRIACA, FROM THE ORTHODOX UNION GROUP OF 15) HAS FIRED A WARNING BLAST ACROSS THE BOWS OF THE CGT LEADER (UBALDINI) ABOUT THE NEED TO ABANDON OLD POLICIES IN ORDER TO COMBAT THE CRISIS. MENEM PROJECTS THE IMAGE OF A MAN WHO HAS FULLY GRASPED THE GRAVITY OF THE CRISIS AND IS DETERMINED TO TACKLE IT. HE HAS CREATED AN ATMOSPHERE OF HOPE WHERE ALL WAS PREVIOUSLY DESPAIR.

THE REALITY

5. WITH ALL THIS HOPE INVESTED IN HIM MENEM SEEMS DOOMED TO DISAPPOINT. THE PROBLEMS HE IS INHERITING ARE ENORMOUS: THREE-FIGURE MONTHLY INFLATION, VIRTUAL ZERO FOREIGN RESERVES, 60 BILLION DOLLARS OF EXTERNAL DEBT ON WHICH NO SUBSTANTIAL INTEREST PAYMENTS HAVE BEEN MADE FOR OVER A YEAR, A BURGEONING FISCAL DEFICIT, EFFECTIVE BANKRUPTCY THROUGHOUT THE STATE SECTOR AT NATIONAL AND PROVINCIAL LEVEL AND A STEADILY DEEPENING RECESSION. THERE IS TALK OF AN EMERGENCY 2 BILLION DOLLARS INJECTION FROM THE PRIVATE SECTOR TO RE-ACTIVATE INVESTMENT BUT NO-ONE HAS YET SIGNED UP. THE FOREIGN BANKS, ARE UNSURPRISINGLY, RESERVING JUDGEMENT. INTERNALLY, FOR THE MOMENT, MENEM IS RIDING HIGH BUT UNHAPPINESS IS ALREADY BEING EXPRESSED BY THE UNIONS AND IN THE RENEWALIST WING OF THE PARTY (WHO ARE, IRONICALLY, IN DANGER OF BEING LEFT DEFENDING RELATIVELY ORTHODOX PERONIST POLICIES). THERE ARE IMMENSE VESTED INTERESTS IN THE STATUS QUO WHICH WILL NOT BE SHIFTED BY MERE EXHORTATION. AND MENEM HIMSELF, ALTHOUGH APPARENTLY DETERMINED AND UNAFRAID, MAY NOT BE ABLE TO TOLERATE THE PRESSURES FROM THOSE AFFECTED BY THE PLANNED ECONOMIC ADJUSTMENT, ABOVE ALL FROM THE UNDER-PRIVILEGED WHO ARE HIS NATURAL CONSTITUENCY. HE IS ALREADY TALKING OF DOUBLING WAGES IMMEDIATELY ON TAKING OFFICE. ONE CAN ENVISAGE FEARFUL CONTRADICTIONS RAPIDLY EMERGING, HOWEVER GOOD THE ORIGINAL INTENTIONS.

6. ARGENTINES TEND TO SEE THINGS IN BLACK AND WHITE: EITHER MENEM WILL SAVE THEM (WHICH THEY NOW THINK HE MIGHT) OR THEY WILL PLUNGE INTO CATACLYSM (THEY ARE NOT SURE WHAT EXACT FORM THIS WILL TAKE BUT

I HAVE EVEN HEARD PREDICTIONS OF CIVIL WAR). I CLING TO THE PRECEPT THAT THINGS ARE NEVER AS GOOD OR AS BAD AS THEY SEEM IN ARGENTINA. I DO NOT THINK MENEM WILL SUCCEED SPECTACULARLY BUT NOR DO I NECESSARILY EXPECT CATASTROPHE.

THE MILITARY

7. BY AND LARGE (AND FAUTE DE MIEUX) THE MILITARY WANTED MENEM AND EXPECT HIM TO SATISFY THEIR DEMANDS. THE APPOINTMENT AS DEFENCE MINISTER OF LUDER (WHOSE SYMPATHIES ARE CLEAR) TENDS TO CONFIRM THIS VIEW. MENEM LOOKS SET TO END THE HUMAN RIGHTS TRIALS AND MAY EVEN DEVISE SOME MEANS OF AMNESTY FOR THOSE ALREADY SENTENCED, BOTH ON HUMAN RIGHTS AND FALKLANDS WAR RELATED CHARGES. IT WILL BE MORE DIFFICULT TO HANDLE THE LIKES OF SEINELDIN AND RICO WHO FACE CHARGES OF REBELLION. AND IN THE CURRENT ECONOMIC CRISIS IT WILL BE IMPOSSIBLE TO MEET MILITARY ASPIRATIONS FOR MORE RESOURCES. THE MILITARY PROBLEM WILL NOT BE RESOLVED TO EVERYONE'S SATISFACTION OVERNIGHT.

EXTERNAL

8. THE FOREIGN MINISTER-DESIGNATE (CAVALLO) HAD HOPED FOR THE ECONOMY MINISTER (AND MAY STILL GET IT IF ROIG FAILS). HE IS INEXPERIENCED IN FOREIGN AFFAIRS AND AS A PRACTICAL ECONOMIST ADAPTS A DISARMINGLY DIRECT APPROACH WHICH MUST DISCOMFIT HIS MORE IDEOLOGICALLY INCLINED OFFICIALS. HE IS UNLIKELY TO INNOVATE DRASTICALLY: FOR ALL THEIR MUTUAL PUBLIC CASTIGATION THERE IS CONSIDERABLE IDENTITY OF VIEW OF THE OUTSIDE WORLD BETWEEN THE PERONISTS AND THE RADICALS. BUT CAVALLO'S INSTINCTS ARE PRAGMATIC AND, ON PRESENT EVIDENCE, HE WILL GENUINELY SEEK TO CULTIVATE COLLABORATION WITH THE UNITED STATES, WESTERN EUROPE AND JAPAN.

UK/ARGENTINA

9. I AM CONSTANTLY BEING ASSURED THAT, DESPITE HIS INCAUTIONS ELECTORAL CAMPAIGN STATEMENTS, MENEM WANTS TO PATCH UP THE QUARREL WITH BRITAIN. CAVALLO HAS SAID TO MY FACE THE HE WISHES TO CONCENTRATE ON RESOLVING PRACTICAL MATTERS LIKE TRADE AND FISHERIES, LEAVING ASIDE FOR NOW THE DIFFICULT ISSUE OF FALKLANDS SOVEREIGNTY. I THINK THEY ARE GENUINE IN WANTING PROGRESS: CAVALLO IN PARTICULAR HAS A CLEAR UNDERSTANDING OF THE PENALTIES ATTACHED TO PRESENT ARGENTINA POLICY, PARTICULARLY AS IT AFFECTS RELATIONS WITH THE EC. BUT THEIR PUBLIC STATEMENTS ARE NECESSARILY CAUTIOUS AND CONTINUE TO PLACE THE EMPHASIS ON PURSUING THE ARGENTINE CLAIM TO THE ISLANDS.

10. WE MAY CONCEIVABLY SEE WELCOME DEVELOPMENTS ON TRADE DISCRIMINATION. AND IT IS JUST POSSIBLE THAT ON THE WIDER ISSUE

MENEM WILL CONFOUND OUR WORST FEARS JUST AS (SO FAR) HE HAS
CONFOUNDED THOSE OF HIS CONSERVATIVE CRITICS ON ECONOMIC POLICY. BUT
ON PRESENT EVIDENCE I AM NOT CONFIDENT THAT MENEM IS WILLING (OR, IN
POLITICAL TERMS, ABLE) TO SET THE SOVEREIGNTY ISSUE ASIDE IN A WAY
WHICH WOULD BE SUFFICIENTLY EXPLICIT TO SATISFY US AND THUS PERMIT A
MAJOR BREAKTHROUGH. MUCH TO WILL DEPEND ON HOW MATTERS GO ON THE
ECONOMIC FRONT AND THE EXTENT TO WHICH MENEM JUDGES THE POLITICAL
RISK ACCEPTABLE IN THE CONTEXT OF ALL HIS OTHER GRAVE PROBLEMS.

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