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ARGENTINES BEGIN TO RENEW A DISASTROUS ALLIANCE WITH
MILITARY IN FACE OF ALARMING ECONOMIC DETERIORATION

- Country's economy plummeting under Menem, with no solution in sight, and return of the military becoming real possibility
- Social unrest rooted in declining standards of living, and exacerbated by uncertainty over Menem's decree granting military permission to control civil disorder
- Union opposition to Menem's privatization programs mounts as confidence in his government evaporates
- Argentine emigration rates sky-rocketing, rekindling fears of a "brain drain" of the educated young
- Return of Armed Forces' rule, which accounted for 13,000 to 25,000 murders of innocent civilians during the 1970s, would terminate Argentina's prospects to be a modern, developed society

COHA STATEMENT ON ALARMING ARGENTINE ECONOMIC SITUATION

The Argentine economy shows little sign of recuperation eight months into President Carlos Menem's term, and as a result, ominous signs of deepening social unrest, in the form of food riots and dissatisfaction on almost every level of Argentine society, are on the rise.

The situation is fast becoming critical: the cost of living has risen 8,164 percent in the past year; inflation is estimated to be hitting 150 percent this month; and more than a quarter of the Argentine work force is unemployed. The lower economic classes are rapidly becoming abjectly impoverished, and the middle class is experiencing an unprecedented decline in its living standards. Strikes occur on a daily basis, and last month 11,800 workers were laid off from the railway and automotive industries alone.

The military, waiting in the wings, is clearly not happy with the social malaise gripping the country and has begun to make statements about "the threat from the left," just as they did in 1976, when they rose up against Isabel Peron, and eventually murdered 13,000 to 25,000 innocent Argentines. Last week, confirming long circulating rumors, President Menem granted the Armed Forces permission to act promptly to subdue major civil protests, a very real possibility in light of the grim economic situation. Many thoughtful Argentines believe that this decision, transferring police power to the military, is the beginning of the end of Argentine democracy and the vestibule to another reign of terror at the hands of the Armed Forces.

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Feeling a sense of vindication, if not invincibility, after last October's pardoning of 280 soldiers and officers found guilty of human rights abuses during the Dirty War, and following Menem's granting of a "wage correction" for officers, representing a 100 percent salary increase, the military has been back in the picture and successfully pressuring civilian authorities for autonomy and an expanded role in the government, after having been humiliated in its almost pitiful performance during the Falklands/Malvinas 1982 South Atlantic war.

Most officers vigorously disavow the possibility of a direct coup d'etat that would launch another period of military rule. But they no longer deny their belief, confirmed by the government's recent decree, that Argentina once again needs the Armed Forces to control the food riots, lootings and other instances of social chaos which already have occurred and could very well further escalate-- in which case they would reportedly maintain order by any means necessary. By courting the military to bring about an illusory quick fix to the country's economic and social problems, the Argentine population is again revealing that it is always ready to march behind a false prophet and set the stage for another human rights disaster like that of the 1970s. For its part, the Bush administration is so involved in Central American matters that it barely has addressed one of the hemisphere's most transcendent developments: Argentina's relapse into centurion rule.

COHA ANALYSIS OF WORSENING ARGENTINE ECONOMIC SITUATION

Argentines have good reasons to be disgruntled. Strikes on a daily basis have become the norm, including walkouts by bank employees protesting the closure of their institutions, teachers and professors at most national universities, doctors and nurses, and court clerks, who have paralyzed the federal court system by almost weekly work stoppages. Layoffs are equally as frequent, and last month alone, 8,300 railway workers found themselves unemployed, as well as 3,500 workers in the automotive industry. As of last month, one in five working-age Argentines was unemployed.

The latest of many governmental economic plans shows little promise of improving conditions. The government has discarded its earlier tactic of making the Austral equivalent in value to the U.S. dollar, the currency upon which most Argentines are increasingly illegally relying. Instead, only those Australes that can be backed by available Bank reserves--only about \$2 billion worth-- have been left in circulation. Import tariffs also have been lowered, and a number of archaic banking operations have been revamped. The forecasts for the latest plan's success, from diverse economic points of view, have been grim and, at best, pessimistic. Evangelino Gomez, former Radical Party official and currently a business consultant, foresees an acute recession and lapses in tax payments. Jorge Bongo, economist for the Argentine Industrial Union, compounds his prophecy of a recession with a prediction of augmented hyperinflation.

Argentina's current and still astronomical debt of \$58 billion has not been serviced for months, and although new stand-by agreement renegotiations are being attempted, it is not likely that the IMF will extend further loans to Argentina. Under the terms of the last stand-by agreement, signed in September 1989, the country vowed to reduce inflation to 15 percent and cut the public sector deficit to a minimum. These goals glaringly have not been met. However, the government is resisting IMF insistence on substantial debt-servicing payments to make up for the lack of December/January remittances.

HARD-HIT ARGENTINES VOICE DISAPPROVAL

Food riots and supermarket lootings almost routinely have occurred for the past 10 months, and the police are now mobilized to prevent any further incidents. The Armed Forces have regained the right to counter and repress domestic protests, which they lost under former President Raul Alfonsin, and are now officially "on alert" and poised to crush dissent. The government, in turn, has implemented a "social emergency program" of food distribution through soup kitchens and government designated social service areas in the poorer neighborhoods, but it is aimed only at the most destitute, which leaves the rapidly fading middle class in the lurch and losing further faith in the constitutional government.

Many middle-class Argentines lost most, if not all, of their savings in December, when the government confiscated more than \$2 billion in short-term deposits and converted them into 10-year bonds to temporarily alleviate cash-flow problems. The Austral, already as low as approximately 5,000A to the U.S. dollar, continues to plunge as Argentines convert their holdings into dollars at any price to avoid a repetition of the December catastrophe. Individuals and businesses are believed to have up to \$5 billion in U.S. currency stashed away within the country, and \$50 billion in accounts on the outside. The total value of Australes now in circulation is only about \$1.6 billion. This minuscule figure is very representative of Argentines' mistrust of national banks and their national currency, and indicative of how the recession already has begun to become a vicious circle.

Stores in Buenos Aires are now quoting prices in dollars, and other retail establishments are simply choosing to close down, not willing to sell merchandise which they are unsure they will be able to replace.

UNIONS OPPOSE MENEM AS HIS STANDING PLUNGES

Menem's plans to privatize Argentina's industries have met with harsh union opposition, reflected in the demonstrations against the privatization of Argentina's railway systems and more recently, the state-owned telephone company. Protesters accuse Menem of "selling out," which could explain the latest union moves toward a tighter relationship with the Armed Forces. The right-wing mutineer Colonel Seineldin has accused Menem of moving away from the Peronist "spirit of 1943," and has stated that the government's monetarist approach will only hurt the poorest sectors of Argentine society, which have been sinking continuously into further abject poverty and hunger.

Due to the country's worsening economic situation, many Argentines have begun to either leave the country or seriously consider doing so, crowding embassies in search of emigration visas. The pressure on Argentine authorities became so great that they temporarily ran out of blank passports last month, and presently are processing almost three times the usual number of passport applications. Those Argentines who are now trying to leave the country characteristically are the best trained and the brightest in the nation, in search of a brighter and more certain future elsewhere. Unfortunately, Argentina cannot hope to emerge from its deep crisis without its better-trained professional class that is now beginning to leave the country.

MENEM'S POPULARITY PLUMMETS AS MILITARY MAKES A COMEBACK

Menem was elected with more than 50 percent of the vote less than a year ago, and his popularity was at 80 percent when he unveiled his economic reform program last summer, which included plans for privatization and price hikes for public services. At the end of the summer, however, polls showed that confidence in the government had fallen to 17 percent, an enormous, though not surprising, drop, in view of the mushrooming financial crisis. Faith in the government is presently at an all time low, and Argentines are not likely to cooperate with any economic or political plans that lead to further hardship.

After months of speculation, President Menem last week publicly granted the military permission to act swiftly in the event of massive social unrest. The Armed Forces, however, face their own internal factionalization and the rise of the Painted Faces, an ultra-nationalist, right-wing army faction whose leaders led three frustrated insurrection attempts against the government of Raul Alfonsin, Menem's predecessor.

Former Lieutenant Colonel Aldo Rico, leader of the Painted Faces, has declared the army will not intervene as long as the crisis is strictly economic. However, he emphasized his belief that the present crisis was, in fact, not economic, but a political and cultural one that will not be resolved without "taking certain measures."

Col. Rico, along with his colleague Col. Seineldin, are the de facto leaders of the Painted Faces. Menem pardoned these mutinous officers last October in an effort to appease the military's demands for a complete army amnesty for its human rights abuses during the Dirty War of the 1970s. Presently on the retired roster, the two colonels increasingly have been in the public eye, giving speeches throughout the country and frequently appearing on television.

The struggle for leadership of the Armed Forces has been on-going between the Painted Faces and the rest of the army, which is outwardly loyal to the constitutional government. However, such ultra-nationalists as the Painted Faces have not taken kindly to Menem's negotiation of renewed ties with Britain, and see the non-resolution of the issue of the Falklands/ Malvinas islands' sovereignty as an affront to Argentina's honor. If and when the army is called upon to control social disorder, it is difficult to see how the Painted Faces will not take advantage of the situation.

Colonel Seineldin has expressed "great concern for the dangerous point of gravity the economic crisis has reached," and has talked of possible violence from the left, which was all but annihilated during the Dirty War, and was the professed reason for the military's coup d'etat in 1976. If at all, the resurfacing of the "left" has been in the form of organized food riots, looting and isolated bombing incidents, the types of disorder so abhorred by the Argentine military. Seineldin also has spoken of defending the country's honor in the face of the economic crisis. Although he denied the possibility of a military takeover at his last public appearance, he criticized Menem as "relying on jailers," referring to the president's hesitance to grant complete immunity to the military for human rights abuses, in spite of Seineldin's own pardon by the president last October.

The Menem government, however, appears to be intent on pacifying military restlessness, and even moving closer to the Armed Forces. A meeting between the Chiefs of Staff and Erman Gonzales, the administration's third economy minister in less than a year,

resulted in wage hikes of almost 100 percent since December for military officers. School teachers and other public employees make less than \$50 a month, and more than a quarter of the country's 12 million workers are unemployed.

President Menem's sessions with senior military leaders have become more frequent and more secretive, prompting the January resignation of Minister of Defense Italo Luder. His replacement, Humberto Romero, is reported to have strong ties to the Painted Faces sector of the army.

Peronist union leaders, despite having supported Menem's candidacy, have been at growing odds with him over his economic programs based on privatization, almost since his inauguration. They, too, appear to be moving closer to the Armed Forces, and have attended several meetings called by Seineldin, as did business leaders and members of the president's own Justicialist party. Octavio Frigerio, head of the national oil company, resigned under pressure from the government two months ago for reportedly making "too public" favorable statements about the Painted Faces faction. Privately, however, some agree that his views are shared by a large part of the business community, which sees itself besieged and paralyzed by the economic crisis and looking for solutions.

In searching for a way out of the current crisis, however, as heads turn to the military, the country's civilian leaders would be foolish to forget that an estimated 13,000 to 25,000 Argentines "disappeared" forever during the 1976-82 period of brutal military rule.