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Council on Hemispheric Affairs

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HASTA LA VISTA, MR. ARGENTINE PRESIDENT

---Argentina's failure to gain seat in U.N. Security Council a casualty of Menem's foreign policy

---Argentine leader continues his ardent courtship of Washington, but at a high price in terms of Argentina's regional standing, and as he strives to be the White House's Latin American dance partner, his regional confreres are not clapping

---The president's meetings with business leaders and government officials to court private foreign investment and public debt reduction plans full of flowery language, but visit produces neither blockbusters nor new programs he would not have obtained if he had stayed at home

---Having thrown Peronism to the winds, Menem now tows a free-market line pleasing to Washington, while engaging in mandatory Cuba-bashing, and coasting on his opera bouffe Iraqi war laurels

---Menem meets with controversial leader of Cuban American National Foundation in New York, to express Argentine support for its actions, and to strengthen his anti-Castro credentials with the White House

---"Menemismo" perhaps not as miraculous as made to appear, with the bottom sector of the population becoming poorer, even though the economy has registered gains under his policies, with monthly inflation rates falling from double-digit figures to less than two percent in September

STATEMENT

Now back in Buenos Aires, Argentine President Carlos Saul Menem, who arrived in Washington on Wednesday, Nov. 13, was greeted by the White House as the model leader of a model Latin American country, but, if anything, the Argentine leader is a model of contradictions. While his aggressive advocacy of privatization clearly has caught Washington's ear, he has alienated many of his Latin American counterparts by being seen as having grovelled before the White House in order to earn its privileged attention.

The stinging rebuke just delivered to Buenos Aires at the United Nations, where a U.N. committee blocked Argentina from gaining a seat on the United Nations Security Council, in spite of the fact that its Ambassador, Jorge Vazquez, is one of the most admired members of the Latin American delegation at the U.N., comes as a direct result of Menem's policies. Although the U.N.'s Latin American caucus voted correctly, the delegates in fact sat on their hands, making no effort to proselytize other Third World countries. The action was generally seen as meant to be a repudiation of Menem's September declaration that Argentina will no longer be a member of the non-aligned movement; its hyper-aggressive role in being the only Latin American leader to go out of his way to condemn Cuba's human rights practices; and his personal pledge to President Bush that he will support the White House's Cuba policy.

OUR MAN IN ARGENTINA

In his actions, Menem is driven above all by a desire to be known as the man that has Washington's backing, but he also wishes to be remembered as the one who brought good economic times to his country even if he has to sacrifice his Latin American credentials to do so, as well as engage in what may turn out to be acts of prestigation to accomplish the economic phase of his mission.

Menem is now coasting on what he wants to believe is a permanent wave of stability and economic growth in his country. The anti-inflationary measures and anti-protectionist market plan of Menem's economy minister, Domingo Cavallo, seems to have paid off, at least

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in the short run, stimulating the first positive growth rate in a number of years, as well as bringing down the annual 1991 inflation rate to 26 percent compared to over 2000 percent in 1990.

In his meetings with Treasury Secretary Nicholas Brady and high level officials at the International Monetary Fund, the World Bank and the Inter-American Development Bank, as well as with private business leaders, Menem has pressed the themes of renegotiating existing debt obligations and attracting new loans and investments to his country. Recent U.S. press reports have signalled that stability seems to be catching on in a country which had the strongest economy in the region at the turn of the century, but has been limping along almost ever since. But international lending agencies like the IMF and independent economic researchers are less bullish about the inherent strength of the Argentine economy than some other members of the financial community, waiting to see if the country's recent growth is merely a mirage or meant to last.

But the Argentine president, a superb showman, whose domestic antics last year titillated his nation with its Dallas-like episodes of changing the locks of the presidential residence and banishing his wife, is not particularly known for possessing an ability to concentrate for long on affairs of state, seems to be enjoying the present economic sunshine in which he is basking at home as well as the North American spotlight that was briefly on him in this country, which journalists accompanying him communicated back to Argentina. He has been using his pro-U.S. image to curry favor with a Washington that only provided him with pro forma promises of its support for new loans from the lending agencies and a Brady debt renegotiation plan, but also has graced him with the unofficial designation of being anointed Latin America's unofficial spokesman by a White House grateful for his past, if modest, pro-U.S. good deeds.

"MENEMISMO" ATTRACTS INTERNATIONAL ATTENTION

Many international observers share Menem's optimism about Argentina's economic prospects, with next year's growth rate anticipated to be a healthy 6 to 7 percent. State-owned companies are being scheduled for the auction block, which is attracting foreign investors such as the Japanese. His administration also has plans to streamline the state bureaucracy by 130,000 workers. Stability at home is reportedly encouraging the repatriation of overseas funds of Argentine nationals, which traditionally has been placed in foreign bank accounts out of fear of debilitating inflation rates in their country.

Favorable economic indicators reflect Menem's policies of being entirely open to free market reforms, including reduction of pervasive government control over business and the tearing down of all manner of protectionist structures that have been in place for decades. The Argentine president on Oct. 31 issued an executive decree, which was carefully timed to be digested by members of Washington's financial and trade community on the eve of his visit, inaugurating sweeping deregulation measures, dismantling the majority of the country's tariffs and price controls.

Since taking office, Menem has taken a drastic swing to the right from the platform on which he was elected, both abandoning Peronism and forsaking his close trade union allies which has inspired the new, if somewhat pejorative, political epithet "menemismo." He has done this, he insists, to take government out of the business of business by privatizing as well as to open his country to foreign investment and trade opportunities.

ANALYSIS: THE ODD COUPLE

If it takes two to tango, both the puritan Bush and the voluptuary Menem have the ability to grace the other with valuable and desired diplomatic dance steps. Argentina has offered itself as another arrow in Washington's quiver of countries willing to aggressively privatize, accept IMF strictures, irrespective of how it devastates the poor, join with the White House's Enterprise for the Americas Initiative, and support other U.S. hemispheric policies. In turn, Menem can say to his people that he is receiving economic benefits, that actually he would have obtained as a matter of course even if he never left Buenos Aires, for being a staunch hemispheric friend of the Bush administration. He can also claim that Argentina has raised its hemispheric political status because Washington now views him as being the region's economic wizard.

Being Washington's favorite South American leader has advantages as well as disadvantages, as could be demonstrated by recalling the case of one who previously held that position, Ecuador's Leon Febres Cordero, whose administration ended in disgrace. Besides Menem's abandoning his Peronist past, he has renounced his nationalist regional fervor and has at the same time forgotten his wrath towards Washington over U.S. support for the British during the Falkland Islands war. Argentina was the only Latin country to send military forces to the Persian Gulf war--two frigates for a brief period, whose role was negligible and all but ignored by other allies fighting Iraq. Menem was also the only

Latin leader to join the U.S. in voting to condemn Cuba's human rights record at the U.N., and met on this trip with Cuban-American National Foundation head Jorge Mas Canosa in New York to carry the personal message that Argentina's position of "defense of the Cuban people" and support of human rights is "irreversible." Mas Canosa later reported that Menem had assured him that he would vote against the Castro regime in next year's balloting at the U.N. Human Rights Commission in Geneva. In a speech delivered to the Organization of American States on November 15, Menem again made very clear his new line on Cuba, calling for "representative democracy with total respect for human rights and a free economy" in every hemispheric country without exception. Pausing for dramatic effect, he repeated his "no exceptions" clause, but never mentioned Cuba by name. For these reasons, together with his renouncing Argentine membership in the non-aligned movement, his country suffered the humiliation of not being awarded a Security Council seat.

HOW MIRACULOUS IS THE MIRACLE?

In an op-ed in the Washington Post, Jeanne Kirkpatrick hails Menem's economic reforms, using some slyly misleading figures to imply that he has his tiger of inflation completely cowed, and suggests that the Argentine case is a triumph for outwardly oriented economic policies. But other analysts, with less of a political agenda, have been less hasty in pronouncing victory. The IMF has chosen to wait on the last quarter's economic indicators before reaching a final agreement on a pending loan, privately citing concern over how long stable economic conditions will last, especially given high levels of government spending in the provinces.

The Cavallo plan's firm refusal to devalue currency or print money not backed by reserves may backfire if overvaluing of the austral hinders export-led growth. Neither has economic expansion translated into tangible benefits for a rising number of poor, and some critics question whether the newly renovated economy, as seen through a Washington lens, is a disguise for a new type of U.S. client state that fails to serve the needs of its citizens but harmonizes with the politics and economics of a prevailing regional power, which in this hemisphere is the U.S. This was the case in Brazil in the 1960s and 1970s during the period of military rule, when its "economic miracle" mainly served the multinational corporations, while poverty deepened in the rest of the country.

In a region whose economies often have gone awry as they spiraled into hyperinflation, stability understandably is greatly prized, and many sectors of Argentine society are breathing a collective sigh of relief. But the country's economy is still in sore need of structural reform as well as of major infusions of capital to replenish its plundered social security and bankrupt credit systems for which stability is a good starting point, but no end in itself. Under Menem, economic blessings have been mainly delivered to the upper economic stratum, which always specialized in the past in dollar speculation, with the poor being entirely neglected, as daily demonstrations in the streets of Buenos Aires now indicate.

Trade unionists have been particularly alienated under Menem. Large-scale layoffs not only have rendered life extremely difficult for workers throughout the country and their families, but also represent an important precedent for even more draconian efforts in the future. So far, the Menem government has failed to act to enforce existing strict worker protection clauses that provide generous severance pay, as evidenced in the Acindar steel company case, where the company has pled that a shortage of funds precludes the provision of benefits. Other companies contemplating similar measures are watching carefully to learn how much they can get away with, and labor leaders are fearing the worst regarding how far Menem has sold them down the river.