

# Argentina economy in free fall

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Argentina faces presidential elections in barely 90 days under conditions in which the country's economy remains in free fall, with a recession now entering its second year and production falling steadily as unemployment rises.

The Argentine crisis has touched off jitters on the international capital markets particularly after Peronist candidate Eduardo Duhalde adopted forgiveness of the country's \$100 billion in foreign debt as a campaign slogan.

"The crisis is severe, and, despite appearing to have hit bottom, there are no signs of a recovery," Alieto Guadagni, the government's secretary of Industry and Commerce said at a press conference this week. The official confirmed figures showing that industrial production has fallen 11 percent compared to last year.

Among the sectors hardest hit are the automobile industry, which has seen a 43.9 percent dropoff; metalworking, a 30 percent decline; and textiles, 19 percent.

Industry is hard-hit by the recession across the border in Brazil and the free float of the country's currency. Exports to Brazil fell by 29 percent in the first five months of the year, resulting in losses to the Argentine economy of nearly \$1 billion. Fully 50 percent of Argentine auto production is destined for export across the Brazilian border. Meanwhile, as exports of industrial goods dry up, the prices on agricultural products and raw materials have fallen drastically, according to some estimates resulting in losses of \$5 billion.

Concerns over Argentina's crisis and its impact on capitalist investments not only in that country but throughout the so-called "emerging markets" have led to a series of crisis meetings between officials of the lame duck government of Carlos Menem and US financiers.

Duhalde himself backed off from his attempt at

populist demagoguery the day after Argentina's stock market plummeted by 9 percent on investors' fears of a debt cancellation.

The country's Vice President, Carlos Ruckauf came to Washington July 20 to meet with representatives the World Bank and with U.S. officials. A supporter of the Peronist candidate Duhalde, Ruckauf offered assurances that there would be no reneging on Argentine foreign debt payments and made a declaration of subservience to the international banks.

The visit followed a flight to New York by Argentina's Undersecretary of Finance Miguel Kiguel who met with a select group of 40 top Wall Street investors and financial analysts in an attempt to calm concerns.

"Neither a president nor a presidential candidate—no one—is going to make a unilateral decision in Argentina," he said in a public statement. "Every candidate must know that [foreign debt] is an issue that deserves much dialogue. There is no doubt in my mind that Argentina has the ability and willingness to pay."

Investors, however, pressed the Argentine representative for a commitment to carry through far-reaching "labor and fiscal reforms," meaning a frontal assault on the already devastated living standards of the Argentine working class and the deepening of the Menem government's drive to privatize state enterprises and wipe out social services.

Despite the loyalty of the Peronist functionaries to the prescriptions of Wall Street and the International Monetary Fund, the government fears provoking revolutionary social upheavals.

Sparked by an official unemployment rate of 14.5 percent, unrest is growing. In June alone, 13,000 more jobs were wiped out, with 91,000 workers joining the unemployment lines over the past year. According to government figures, the number of jobless has risen to 1.9 million, while another 1.8 million are forced to

subsist on part-time jobs, unable to find full-time work.

Meanwhile, the government has faced mounting protests from different sectors of the population and has been forced to make a series of humiliating retreats.

Earlier this month the Argentine Congress took a hasty vote to delay the imposition of a new vehicle tax designed to pay for teachers' salaries after striking truckers nearly brought the country's economy to a halt. The Menem government had been on the brink of imposing a "state of emergency."

Last May the government found itself compelled to rescind major cuts in education in the face of mass student protests and the resignation of Education Minister Susana Decibe.

And in June, tax breaks were granted to farmers after a four-day strike. These concessions proved inadequate, however, to prevent a mass march of farmers on the Plaza de Mayo in Buenos Aires July 21 to protest falling prices and lack of government support for the agricultural sector. The march was the biggest farmers' protest in the country's history.



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