

# Policy disarray in Argentine government

by Cynthia Rush

The government of Argentine President Carlos Menem is suffering increasingly from internal divisiveness and policy confusion, which belies its claims of successfully dealing with its profound economic crisis. Struggling to maintain credibility with international lending agencies, Menem has seen four of his cabinet ministers resign since taking office in July of 1989. The most recent resignation was that of Defense Minister Italo Luder on Jan. 22. Luder's resignation was followed by that of Domestic Trade Secretary Pablo Challu, and Juan Bautista Yofre, head of the State Intelligence Secretariat.

The defense minister's resignation, following a rift with Army Chief of Staff Gen. Isidro Cáceres, known for his opposition to the nationalist faction of the Army led by Col. Mohamed Alí Seineldín, signals an intensification of a longstanding military crisis. Seineldín, who was forcibly retired by the Army high command last December, is widely respected among the ranks for his defense of the institution of the armed forces and the Constitution against economic and strategic policies that threaten the national sovereignty.

Because of this, the friends of Henry Kissinger in the United States and inside Argentina have branded the colonel a coup-monger. When Seineldín issued a statement last December condemning the U.S. invasion of Panama and calling on Ibero-American patriots to defend Panama's sovereignty, he was sanctioned with 10 days of house arrest. In the context of existing deals between the U.S. and Soviet Union, the U.S. political establishment views individuals like Seineldín as an obstacle to its goals.

The immediate cause for Luder's resignation was the fact that Cáceres had gone over the minister's head to deal directly with Menem on questions of military policy, failing to invite Luder to a private meeting with the President on matters relating to internal security. Both the Army and the government are worried about the likelihood of a social explosion occurring as a result of the government's austerity policies. Last May, rioting and looting erupted in several cities around the nation, in response to hyperinflation and economic chaos.

On Jan. 22, Luder punished Gen. Cáceres' violation of protocol with 10 days of house arrest, but immediately resigned when Menem rescinded the order and sided with the chief of staff, rather than Luder. In recent months, Menem has increasingly lined up with the Army high command, composed largely of anti-nationalist generals. Shortly after

Luder's departure, Menem issued statements saying that he will "accept no proposals" regarding military or economic policy from anyone.

## Nationalists targeted

Analysts in Buenos Aires say that Gen. Cáceres has been strengthened by the episode, and will now move aggressively against nationalists in the Army. The chief of staff is reportedly predicting that he will have the internal dispute with nationalists cleaned up "within 30 days." Menem, meanwhile, has implied that nationalists like Seineldín, who question the policies of the high command, represent a threat to the Constitution. "The Armed Forces cannot be divided into sectors, that is, those who function . . . within the framework of the Constitution, and those others who call themselves *carapintadas* ["painted faces," a reference to the nationalist faction]." The new Defense Minister, Humberto Romero, is said to be sympathetic to the nationalists, but, after having resigned as Defense undersecretary in a dispute last July, he has reportedly made his peace with Cáceres and won't challenge his authority.

The stability of Argentina's institutions, including the armed forces, will finally be determined by the evolution of the country's economic crisis, however. At present, the government is attempting to renegotiate an agreement with the International Monetary Fund, due to Argentina's non-compliance with the terms of last September's \$1.4 billion standby agreement. If the Fund grants a waiver, as the government is now requesting, Argentina would be eligible to receive the second tranche of that loan, worth \$230 million. However it is unlikely that an IMF delegation now in Buenos Aires will approve it.

The Menem government claims that the program announced on Jan. 1, which drastically reduced the money supply, will successfully stabilize the economy within a few months. But production figures just released for January sharply dispute that prediction; and for 1989, Argentina's gross domestic product dropped by 5.5%, while agricultural production dropped by 6.5%. Yet in a desperate attempt to please foreign creditors, Menem has just taken steps to further punish a population weary of IMF austerity. In an effort to bring down the public sector deficit—one of the IMF's primary demands—the government on Jan. 31 raised public service tariffs by as much as 90%, and increased gasoline prices by up to 125%.

"This adjustment was not imposed by the IMF but by our own needs," Finance Minister Ermán González said. But no one is likely to believe him. The measures were announced following a meeting between finance ministry officials and the IMF delegation. Moreover, the government has promised the IMF that it will keep inflation at 15% for 1990, and reduce the fiscal deficit to 1.25% of gross domestic product. The latter now stands at 12% of GNP. Inflation for January reached 50%.