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## Argentina's De la Rúa Assumes Presidency Promising Austerity, Transparency

by LADB Staff

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Fernando de la Rúa took office as Argentina's 47th president Dec. 10, receiving the blue and white presidential sash from Carlos Saul Menem, who left office after 10 years with a vow to return in 2003. De la Rúa, leader of the Alianza, which includes the Union Civica Radical (UCR) and the Frente del Pais Solidario (FREPASO), began his four-year term promising transparency, honesty, and austerity.

The flamboyant Menem, who has made clear his intention to run again in 2003, told his staff that his was simply "the best presidency of all time." "We did all we could," said Menem. "I don't think we left much, I'd say almost nothing, of our election promises undone."

One major promise left unfulfilled was his 1995 pledge to "pulverize unemployment." The jobless rate, now at 14.5%, contributed to the defeat of Eduardo Duhalde, candidate for Menem's Partido Justicialista-peronista (PJ), last October. Despite Menem's success in other areas, including wiping out the hyperinflation that existed when he took office, the social cost of his economic reforms unemployment, rising poverty, crime, and corruption was high.

Voters opted for change, electing de la Rúa, who promised a "moral revolution," and his running-mate Carlos Alvarez, who pledged a frontal attack on corruption (see NotiSur, 1999-10-29). Now in power, the Alianza will be looking more closely at the Menem administration even while it struggles to cut costs and create sorely needed jobs.

While Menem insists, "I regret nothing in my administration," many of his closest aides are being called as suspects or witnesses in cases ranging from money laundering to embezzlement and illegal arms sales.

### *President authorizes anti-corruption office*

De la Rúa was elected because people wanted a change, which he said implies the "strict application" of values such as "transparency, austerity, honesty, the fight against corruption, and the government's deep commitment to serve the people not itself or privileged groups."

"The true measure of progress is not in giving more to those who already have, but in ensuring a more decent life for those who have less," he said, adding that more than 40% of the people lack health insurance and seek medical services at public hospitals, which also face severe shortages. He called for a new concept of society, one with greater solidarity, saying, "There is no economic development without social development."

Major unresolved issues of the Menem era are "unemployment, rising crime, and corruption", says political analyst Rosendo Fraga. But the financial constraints leave the new administration little

room to enact its broader social agenda for a more equitable society after what the Alianza calls Menem's "savage capitalism."

The slight recovery forecast for next year will not significantly reduce unemployment, widely seen as one cause of rising crime. While seemingly committed to ending widespread corruption, the president will be hampered by the lack of a majority in either house of Congress and the need to cut deals with the PJ to push through priority legislation.

The president ordered the creation of an Anti-Corruption Office within the Justice Ministry, with powers for prevention and control. The office will "investigate acts that have an economic or institutional significance and that involve irregularities on the part of public functionaries," and will be charged with developing "prevention strategies against corruption."

Another of the new president's first actions was a decree authorizing the Social Action Ministry to take over the Plan de Asistencia Medica Integral (PAMI), the state institution that supervises medical and social assistance for retirees and pensioners. The administration promised a thorough investigation following reports that, under the Menem administration, the body spent US\$400 million more than budgeted in just the past year.

The Alianza has cited the crisis-ridden PAMI as a prime example of corruption. The vice minister of social action, Cecilia Felgueras, will be in charge of the PAMI intervention.

### *President faces monumental economic challenges*

De la Rúa takes over an Argentina suffering acute economic hardship. Hit by fallout from Brazil's currency devaluation last January, the economy has suffered the worst recession since the early 1990s when Menem's neoliberal policies put the country on the road to economic stability.

The recession is expected to cut GDP by 3% to 4% this year and has eroded economic self-confidence and reduced tax revenues. More than a third of Argentina's 34 million people live in poverty, and three million live in abject poverty. The gap between rich and poor has grown, especially in recent years, reaching its greatest disparity in the nation's history.

De la Rúa took office without an approved budget for 2000, after the majority PJ in the lower house refused to debate a package of laws considered key by the Alianza. The president-elect wanted a budget approved that would aim for a fiscal deficit of US\$4.5 billion, or 1.5% of GDP, a reduction from the US\$6 billion, or 2% of GDP, deficit for 1999. De la Rúa said this would send a signal to markets and investors that the new administration intended to practice fiscal austerity.

The fiscal deficit has caused international investors to back away from Argentina. Some analysts say the deficit could reach US\$11 billion next year if corrective measures are not taken. Before taking office, de la Rúa tried unsuccessfully to find common ground with the PJ-dominated Congress on ways to slash spending in the 2000 budget.

De la Rúa also wanted Congress to approve a broad tax reform to provide an additional US\$2.6 billion a year in tax revenues. He wanted the budget and tax reforms approved together, since a

trimmed budget without the tax package was useless, he said. When the PJ refused to go along, the session ended without a budget approval.

Speaking to the nation's legislators the day he took office, de la Rúa lamented that they had not approved the budget, tax reforms, or a new law on government ministries. The tax law would have gradually increased the tax burden for wealthier Argentines, and the ministerial reform would have eliminated some 50 government offices.

The new government will also be strapped by the foreign debt, which stood at US\$64 billion when Menem took office in 1990. Today, despite the 1991 debt negotiations and profits from the privatization of government enterprises, the debt is US\$114 billion, not including private debt, estimated at another US\$40 billion. "I want to be sincere," said de la Rúa. "The situation is serious. There is an enormous budgetary deficit, the debts of the provinces have expanded, and contributions to social security have collapsed."

De la Rúa called the legislature into special session on Dec. 12 to deal with several pressing issues, including the budget, tax reforms, and a new "fiscal pact" between the federal government and the provinces. [Sources: Associated Press, Inter Press Service, The Financial Times (London), 12/10/99; The Miami Herald, 12/11/99; CNN, 12/09/99, 12/10/99, 12/12/99; Spanish news service EFE, 12/10/99, 12/13/99; Notimex, 12/13/99; El Nuevo Herald (Miami), 12/14/99; Reuters, 12/09/99, 12/16/99]

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