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Argentine Economic Reforms Draw Broad Opposition

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On the evening of July 20, Economy Minister Juan Sourrouille announced the implementation of a sweeping economic reform program, in an open attempt to reverse the country's critical economic situation before the September 6 gubernatorial elections.

Among the most notable reforms are: massive reorganization of the state oil company, Yacimientos Petroliferos Fiscales (YPF) (including accelerated privatization of petrochemical firms); closing of exchange houses; price hikes for fuel and public transportation fares; significant changes in the operations of public banking institutions (such as the elimination of short-term deposits); progressive deregulation of state productive enterprises and service companies; elimination of direct subsidies via the national treasury to state enterprises; tax reform (applied to sales taxes of public goods and services, and taxes on profits, among others); and, stepped up privatization of transportation and telecommunications activities. (See "Argentine Government Announces Sweeping Economic Reform Program," and "Summary of Argentine Economic Reforms," NotiSur 07/23/87.)

Most opposition parties, labor unions, professional organizations and several business groups immediately responded with denunciations. A sampling of reaction to the government's most recent economic initiative follows. * A July 21 communique by the Coordinator of Mercantile Entrepreneurial Activities (CAME) in Buenos Aires described the economic package as "inconsistent with the objectives of stability and growth." Instead, said CAME, the reforms are direct products of the Argentine government's recent letter of intent presented to the International Monetary Fund (IMF). For CAME, the economic reform package represents "nothing new."

The communique points out that Argentines have long been aware of the government's intentions to privatize the petrochemical industry, restructure the state oil conglomerate (YPF), reduce the fiscal deficit, and transfer resources to the private sector. "This presumed structural reform" remains a task to be completed in the future, said CAME. Moreover, "the government has not yet specified its future credit policy, salary policy, prospects for reducing interest rates, and investment incentives." It appears, said the communique, that significant changes in these crucial areas of economic policy will not occur.

The CAME communique advised private sector business executives to expect the continuity of existing economic conditions in the foreseeable future, i.e., maintenance of high interest rates, tax pressure, tight money supply, and economic stagnation. CAME declared that the so-called "audacious new direction" taken by the economic team is in reality only a reinforcement of past and current policies.

*In a July 21 communique, the Argentine Bankers Association (bank employee union) announced its "rejection" of the economic package, particularly reforms of public sector banking institutions. Association head Juan Jose Zanola said the government's reform will initially convert the National
Development Bank (BANADE) into a reserve bank, and then proceed to "distort the functions of other government banks." The Association said employees of BANADE, the National Mortgage Bank (Banco Hipotecario Nacional) and the Savings and Insurance Bank (Caja de Ahorro y Seguro) have rejected the reforms since it was apparent that the government economic team has chosen to "ignore the ultimate objective...of the national banks," described as establishing and expanding a national financial system to support "sovereign development."

*Antonio Cafiero, Justicialista party gubernatorial candidate for Buenos Aires province, said the new economic reform package was nothing more than a simple-minded implementation of recent IMF agreements. The ruling Radical Civic Union party, he added, has not "consulted" with the political opposition, organized labor, employer organizations, and other sectors of Argentine society in formulating its foreign debt policy. *Peronist Deputy Carlos Grosso declared that the economic package demonstrates the government's failure thus far in the economic arena. He said the Alfonsin administration has imposed numerous "adjustments" which have failed in their stated objectives. He added that the current reform package consists of still more adjustments to prior adjustments.

*Intransigent party leader Oscar Alende said the economic package is a direct outcome of objectionable IMF prescriptions for the national economy. Alende reiterated his party's request presented in the Chamber of Deputies for a "political trial" of Economy Minister Juan Sourrouille.

*Chairman of the Democratic Center Union (Conservative Party), Alvaro Alsogaray, said the package reveals a "profound disorientation" of the government economic team, and their inability to resolve the country's crisis.

*Chairman of the Integration and Development Movement (MID), Rogelio Frigerio, told reporters that the package is a demonstration of the Radical party's intent to "further tighten the knot around Argentines' necks." The results of the economic reforms, he said, will be more of the same, i.e., declining purchasing power for the majority of Argentine workers, and continued economic stagnation.

*A communiqué by the Broad Liberation Front (Frente Amplia de Liberacion, consisting of small communist, humanist, Peronist and assorted leftist parties) described the package as a "deepening of the country's submission to the IMF." *In statements to the press on July 21, Rolando Pierantueno, president of the Argentine Industrial Council (CAI), avoided direct criticisms of the reform package. He declared that Council members are supportive of attempts to increase the efficiency of the state apparatus.

Regarding the impact of new fiscal policies and the reorganization of official banking institutions linked to productive activities, he said only that these and other measures are considered necessary to reform the "structural nature of the economy." In the near future, said Pierantueno, entrepreneurs should not expect significant change in interest rates and overall economic growth patterns.

*In a statement released July 21 in Buenos Aires, the executive board of the General Confederation of Wholesale and Self-Service Retail Establishments asserted that the new value added tax (IVA)
on mineral water, beer and soft drinks will result in a further contraction of Argentine workers' purchasing power. This tax policy, said the Confederation, is an outcome of obligations contracted by the government in its attempts to meet IMF prescriptions.

*President of the Argentine Chamber of Commerce, Ovidio Bolo, said the economic package is "necessary to further the country's march toward profound reforms permitting the development of an economy characterized by deregulation, decentralization, greater efficiency, and stimulus to private enterprise, in the context of a redefinition and realignment of the state." On July 21, spokespersons for Argentina's most powerful labor organization, the General Workers Confederation (Confederacion General de Trabajadores-CGT) denounced the economic reform package as further evidence that the Alfonsin administration is more interested in "conciliation" with the IMF and foreign bankers than with Argentine workers and entrepreneurs.

Major targets of criticism were expected tax increases, and the government's "bad faith" and incoherence regarding wage policy. The new taxes were attacked as yet another element of forcing Argentine workers to bear the burden of the foreign debt and the government's inept policies. * In a July 25 statement signed by party head, Carlos Auyero, the Christian Democrats proposed that the September 6 elections should be a "plebiscite" on the Radical party's economic reform package.

According to the Christian Democrats, the reforms indicate the failure of the administration's Austral Plan, and the absence of coherent decision-making that predominates within the Radical party. After pointing out that the current economic situation is characterized by recession, the party statement claims the package will only perpetuate economic decline because new tax policies serve to reduce the disposable income of the majority of Argentines. (Basic data from several reports by Argentine news agency, DYN; PRENSA LATINA)

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