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Argentina: Summary Of Recent Events & Statements, July 8-24

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July 8: Carlos Saul Menem of the Justicialista (Peronist) Party was inaugurated president of Argentina. [Inflation for May was nearly 80%, and for June, 114%. The 12-month cost-of-living increase based on June's inflation rate of 114.5% comes to 948,597%. In expectation of new austerity measures to be implemented by the new government, merchants raised prices at such a pace that inflation during the first week of July alone was estimated by some at around 100%.]

July 9: On Sunday evening, Economy Minister Miguel Roig announced implementation of the first measures of an anti-inflation plan. The Menem government is also preparing a series of public sector reforms, and a thorough review of tax policy. Wealthy conservative leader Maria Julia Alsogaray was chosen to "privatize" the state-run telephone company. Prices on public sector products and services were raised between 200% and 600%, effective the following day. The price of gasoline was increased by nearly 600%, to about $1.70 per gallon. Private unmetered taxi fares rose by over 600%, and public transport fares were expected to increase within the next few days. Roig also announced a 650% price hike in natural gas rates for industrial users and 200% for homeowners. Natural gas is the principal source of space heating in Argentine homes. Rates for electricity, public transportation and other public services will also increase substantially, Roig said. He did not specify amounts or say when they would take effect. The minister announced a 53% currency devaluation to 655 australs per dollar to promote exports. To assist wage earners and salaried employees in coping with the increases, the government will roll back the price of bread and other basic foods and set price guidelines at the level of July 3. Next, said Roig, most workers were scheduled to receive a special one-time bonus equivalent to about $13. Workers are also to receive an immediate advance equal to June earnings against July salaries, which eventually are to be raised by as much as the inflation rate. The government had hoped to work out a voluntary price control agreement with business owners by this date, but instead imposed a "temporary" freeze. Prices of basic foodstuffs are to be reduced somewhat. Merchants and producers raised the price of bread and milk by more than 150% on July 6-7 in anticipation of government price controls. Outlines of public sector reforms indicate that Menem plans to reduce the number of public employees, privatize state-run companies, reduce obstacles to the entry of foreign capital, and inhibit central bank financing of government deficits. Roig said that in addition to privatization of the telephone company, the policy is to privatize all state-owned enterprises not connected to "national security." Roig announced that subsidies to domestic businesses will be suspended. This measure may be designed to inspire the return of flight capital. July 10: Workers at some businesses received the one-time bonus mandated by the government. By the end of the week, most workers were to receive 8,000 australs ($12.25). The minimum wage for July was estimated at about $43 per month. Guillermo Alchouron, president of the Rural Society, said the measures "are going to invigorate private initiative, reduce public costs and lower the fiscal deficit." Alchouron said he thought the new exchange rate would lead Argentine exporters to sell of the crops they have been holding immediately. Because of dissatisfaction with the previous exchange rate, grain farmers had refused to sell their crops. A major part of Argentina's tax revenues derives from the 30% retention on agricultural exports. July 12: President Menem
indicated he wishes to end the conflict between civil society and the military, perhaps via a blanket pardon for human rights violators and participants in military rebellions. He also announced that his government is prepared to end hostilities with Britain over the Malvinas Islands, and to begin talks toward normalized diplomatic relations. Menem's first concrete gesture towards the military was the appointment of Italo Luder as minister of defense. Luder, a longtime Peronist leader and an official the last time the Peronists held power under Isabel Peron, signed the document in 1976 that the armed forces cite as their legal authorization for the "dirty war." Menem told reporters that while he does not intend to relinquish Argentine claims to the Malvinas, he is willing to leave that issue unresolved for the time being. "Both (British Prime Minister Margaret) Thatcher and I should instruct our diplomats to look for a way to start a dialogue within the framework of the United Nations, in which we could negotiate the resumption of diplomatic relations," Menem said. Hostilities can end, Menem said, as soon as Britain eliminates a 150-mile "exclusion zone" around the islands that prohibits entry by Argentine fishing vessels. July 14: Economy Minister Miguel Roig, 47, died of a heart attack. July 17: President Menem appointed agribusiness executive Nestor Rapanelli, 60, as Economy Minister. Government officials and business leaders signed an accord on price controls for 90 days as a first step to establishing a long-term "social pact." The announcement was made by Rapanelli, Labor Minister Jorge Triaca and Public Works Minister Roberto Dromi. The ministers said the government would not increase public sector prices nor devalue the currency during the next three months. The price freeze will be based on prices prevailing on July 21. During the two weeks preceding July 21, merchants and producers continuously raised prices, for a total average of 150%. Triaca said talks between union and business owner representatives would continue with the objective of freezing wages until Sept. 30. The government, he added, will not establish a wage rate ceiling, but expects all participants to maintain a "responsible attitude in face of the economic emergency." In response to a question on unionized metallurgical workers' demands for a 200% wage hike, Triaca said the government believes the labor movement "acts in a form consonant" with price stabilization. Some economists have predicted a 70% to 100% inflation rate for August, and similar rates in September. Research institutes affiliated with labor unions argue that continued high inflation into September would not have occurred if the government had followed through on implementing a price freeze based on prices prevailing on July 3, as announced shortly after Menem's inauguration by former Economy Minister Roig. July 18: President Menem said Minister Rapanelli had received anonymous telephoned threats urging his resignation, but did not elaborate on the nature of the threats. Menem also commented on press reports in Caracas that an arrest warrant has been issued against Rapanelli for alleged fraud. The minister has already been cleared in the case, which dates from 1985, the president said. Daily newspaper El Diario (Caracas) alleged July 13 that as director of the Venezuelan company Granmoven, Rapanelli overcharged Venezuelan retailers in sales of wheat imported from Argentina. The wheat imports were heavily subsidized by the Venezuelan government. Granmoven is a subsidiary of the huge Argentine multinational firm Bunge y Born, where Rapanelli has also served as vice president. Menem said Rapanelli was the first one to tell him of the case and that the minister was "upset and bitter" because of the press reports. July 21: Peter Scherer, chief of a World Bank mission in Buenos Aires, told reporters that the Bank will grant Argentina a loan to support its privatization program. A bill submitted for debate in the Argentine national legislature states that the first phase of the program would consist of selling off the state oil monopoly, Yacimientos Petrolíferos Fiscales, railway company (Ferrocarriles Argentinos), telecommunications company (Empresa Nacional de Telecomunicaciones) and the highway administration enterprise (Direccion Nacional de Vialidad). In early February this year, the World Bank froze disbursement of $1.2 billion in loans, result of the
previous government’s failure to implement public sector reforms. Official statistics indicate that the financial deficit for government-run companies runs about $5.5 billion per year. The railway company alone incurs an average loss of $2 million per day. Argentina has also requested stand-by credits of between $1 billion and $1.5 billion from the International Monetary Fund. [Basic data from ADYN (Argentine newspaper collective), 07/14/89; Washington Post, 07/09/89, 07/11/89, 07/13/89, 07/15/89; AP, 07/09/89; New York Times, 07/11/89; Notimex, 07/17-18/89; AFP, 07/18/89; Notimex, 07/21/89]

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