

## DIRECTORATE OF INTELLIGENCE

15 July 1988

Argentina's Peronists and the Rise of Menem 

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## Summary

The surprise victory of populist Carlos Menem as the Peronist party's presidential candidate could lead the Peronists away from their recent moderate, more democratic trend and back to an authoritarian, demagogic style. While Menem, an energetic, effective campaigner, is already working to broaden his base of support beyond labor and the lower class, his campaign may prove dangerously divisive to the Peronist Party, and his fiery style could alienate many of the voters he needs. Menem's emergence gives Argentine voters a clear-cut choice between working class-oriented populism and the center-right philosophy of Eduardo Angeloz, standard bearer of the ruling Radical Party. Washington can expect to come in for criticism from Menem during the campaign on issues such as the Falklands, Central America, and Argentina's debt, where Menem has declared his support for a moratorium.

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## Introduction

The ascendancy of Carlos Menem, Governor of La Rioja Province, to the Peronist presidential ticket appears to signal another important change in the party's direction. When Argentina returned to democratic rule in 1983, the Peronist Party--the country's most powerful political force between 1945 and 1973--was in disarray after suffering nearly a decade of pervasive factionalism, ideological conflicts, and lack of leadership. As a result, the party lost by a wide margin to the Radicals in both the 1983 and 1985 national elections and broke into two camps. One, an old guard Orthodox faction, insisted that the party remain a militant, ultranationalist, populist movement dependent upon a handful of political and labor bosses to enforce party discipline. The other, the newly created group of Reformists, advocated adopting a more democratic image by softening nationalist rhetoric and initiating internal reforms such as direct voting in party primaries and guaranteed minority faction representation. [REDACTED]

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The Reformists' more polished appearance and emphasis on democratic principles paid off in the September 1987 congressional and gubernatorial elections, when the Peronists finally bested the Radicals. Aided by the poor performance of President Alfonsin's economic policy, the Peronists won 41 percent of the vote to the Radicals' 37 percent, and deprived the Radicals of their absolute majority in Congress. Nearly every Peronist who won a major post--including all but two of the party's 17 successful gubernatorial candidates--was a Reformist. [REDACTED]

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The electoral victory in 1987 helped to usher the Reformists into control of the party, but newly elected party president and Reformist leader Antonio Cafiero failed to consolidate his power. The Orthodox faction retained some influence, particularly within the powerful unions. Menem, an erstwhile Reformist who briefly aligned with the Orthodox faction in 1986 before declaring himself an independent, capitalized on the unions' lingering strength and resentment toward the Reformists to challenge Cafiero's bid for the nomination as the party's candidate in the 1989 election. The two became embroiled in an acrimonious struggle for the nomination that threatened to split the party, although Cafiero, in conceding, has since pledged to lend his full support to the Menem campaign. [REDACTED]

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## Menem's Agenda--Reviving Old Ways

While Menem has not yet fine-tuned his platform, his agenda--dominated by nationalist, populist themes--is aimed at Argentina's working-class and the poor. It stands in sharp

contrast to Reformist attempts to appeal to the growing numbers of middle-class and white collar voters, whose support was key to the Radical victories in 1983 and 1985. [ ]

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Menem's economic ideas, though not fully consistent, reflect the statist, interventionist cast that has accounted for much of Peronism's appeal over the decades.

- He favors an increase in salaries and production and a decrease in unemployment, to be financed by a five-year moratorium on the foreign debt.
- He believes the state should continue to play a major role in the economy, and that the deficits of the state-owned enterprises could be reduced through more efficient management and purchasing practices, rather than privatization.
- Menem's brother Eduardo, a Peronist Senator, has publicly hinted that Menem would nullify major agreements made between parastatals and foreign companies during the Alfonsin administration.
- Menem also favors the reimposition of complete government control over bank deposits so that the state can channel credit toward production, and has even proposed the nationalization of trade to hinder the ability of businessmen to evade foreign exchange controls. [ ]

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On the other hand, Menem views himself as a friend of business, and is offering tax incentives and protectionist policies, as well as promising that price freezes would be employed only as a last result. He acknowledges the need for foreign investment, so long as it is controlled, and does not appear to favor widespread nationalization--although he has proposed expropriating all British property in Patagonia until the Falklands dispute is resolved. [ ]

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Such interventionist policies brought massive economic growth to Menem's home province and boosted his personal popularity, but have not been without significant costs. According to the US Embassy, Menem employed tax incentives authorized under Argentina's industrial promotion law to attract private industry to his province. He spent extensively on roads, schools and hospitals, and increased the public payroll by at least 60 percent. The province, however, is essentially bankrupt. Its budget is in chronic deficit; it has had to borrow money from the federal government to pay off unbacked bonds issued to the public; and it temporarily closed the Buenos Aires branch of its insolvent provincial bank in late March to avoid a run on deposits. [ ]

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### Foreign Policy--Disturbing Themes

On the foreign policy front, Menem can be expected to play on themes that appeal to the Argentines' exaggerated sense of independence and nationalism. The Peronists generally support Alfonsin's foreign policy, including Argentine involvement in the Non-aligned Movement, the pro-disarmament Group of Six, and the Contadora Support Group, but Menem, who favors an increased Argentine role in the Third World, may advocate a higher profile in some of these groups. Of Syrian extraction, Menem is interested in the Middle East and he may try to improve Argentina's relations with Libya and the PLO, for which he has sympathies. Menem will likely oppose any conciliatory gestures on the Falklands and probably step up calls for Argentine control of the islands, insisting that the sovereignty issue be included in any negotiations. [ ]

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Despite occasional claims to the contrary, we believe Menem harbors anti-US views and that his campaign will feature attacks on US interests and policies. This was most recently demonstrated by his accusations that the US was responsible for generating hostilities in the Persian Gulf. He blames developed countries for Argentina's foreign debt and will undoubtedly criticize US policy toward repayment terms. Unlike the Radicals, who have avoided the issue, Menem's faction has denounced US policy in Central America. Menem can also be expected to criticize US support for the UK on the Falklands issue. [ ]

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### Dealing with the Military

The military may prove to be a pivotal factor for Menem's prospects. He was imprisoned under the former military government for several years for suspected leftist ties and is still mistrusted by some sectors of the armed forces. His populist policies and leftist sentiments will almost certainly prompt new concerns within the officer corps. [ ]

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Menem knows he must gain more support within the armed forces and, according to press reports, has met with a number of high ranking military officers to hear military grievances\*. Menem has stated that his primary goal is to heal the wounds created by the war on subversion and the Falklands debacle that have made the military an outcast since the return to democracy. Opposed to the recently passed National Security Law designed to

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\*We believe that at least one of these officers has ties to the group that orchestrated two Army rebellions over the last year. [ ]

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reorganize the military into an apolitical, strictly professional institution, Menem proposed instead issuing an amnesty for all officers accused of committing human rights abuses during the former military government--although we believe he would also grant an amnesty to jailed leftist guerrillas. He also reportedly strongly favors re-equipping the military, particularly to counter any possible aggression from Chile.

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### The Road Ahead

Menem brings major strengths to the campaign against the Radicals. His widespread popularity and his election in the Peronist primary will enhance his image as an effective politician. Moreover, the failure of the Radicals' economic program will be a heavy burden for Angeloz and provide the Peronists with some lucrative campaign opportunities. Menem may well try to use the Peronist bloc in Congress to thwart any further efforts by Alfonsin to restructure the economy over the remainder of his term.

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Nonetheless, Menem faces some major challenges in the long period before the presidential election, the most important of which is the need to avoid a party split. Menem's nomination and the authority it lends him in party affairs will likely tempt him to challenge Cafiero, who still commands a substantial following in the party and intends to remain as party president. Public squabbling by the Peronist leaders and the danger of renewed factionalism would almost certainly cost the party votes.

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Menem will also need to ensure that organized labor, which played a key role in his campaign, does not become too big a factor. Should Menem win the presidency, labor leaders will look to him to restore union representation in both the party and the government. Moreover, they will probably demand inflationary wage hikes and a greater voice in corporate management. The renewed political influence of labor--which still retains its thuggish, authoritarian image--may alienate those in the electorate who show an increasing preference for democratic politics.

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Another challenge to Menem will be to generate support among Argentina's growing pool of middle class voters, who could provide the needed margin of victory. These voters--many of whom are Peronist and supported the Reformist candidates in the last two national elections--may find Menem's views unpalatable. Moreover, less than half of the country's 4 million registered Peronists voted in the Peronist primary. Menem will need to woo such voters assiduously over the coming months.

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We expect Radical Party presidential candidate Angeloz to do all he can to nourish middle class fears of Menem, and to encourage voters to view him as the only reasonable alternative. Angeloz, who comes from the right wing of the Radical Party, has the image of a responsible politician who advocates conservative economic policies and a pro-West stance. Certain elements of his platform, such as privatization, are gaining increasing support from the population. Moreover, many of Angeloz' supporters point to the fiscal success of Cordoba Province under Angeloz' rule as an example of his ability to govern. At the same time, however, Angeloz' prospects will decline if the economy continues to deteriorate under President Alfonsin.

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