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Kirchner's Next Challenge

Ire at Argentine Activists Highlights Need for Sustained Job Creation

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Buenos Aires -- MARGARITA SANCHEZ clutches a two-foot stick and glares at annoyed motorists who have encountered her roadblock. She and hundreds of other piquetero activists are protesting, as they often do, outside the Labor Ministry here, seeking, she says, "a decent job."

To Gonzalo Ramirez Vilches, whose restaurant is across the street from the chanting protesters, police barricades and gridlocked traffic, the piqueteros are about job losses, not job creation. After two years of seeing customers driven away by the frequent protests at the ministry, Mr. Ramirez Vilches is thinking of shuttering the restaurant he has owned for 15 years. Since early 2003, even as the economy has recovered, he has laid off eight of his original 20 workers.

For many middle-class Argentines who once empathized with the piquetero movement -- dozens of unemployed activist organizations with a ubiquitous presence on Buenos Aires streets -- the protesters are increasingly a problem. The deepening fissure across Argentine society over the piquetero movement is posing a threat to President Nestor Kirchner, who once embraced some of the more moderate groups. It is one of several challenges looming for the Argentine leader after a first presidential year of strong growth and political victories. Tackling the piquetero movement, as with other challenges, means facing up to some deep-rooted problems in this crisis-scarred country.

How Mr. Kirchner deals with the piqueteros and other issues such as government corruption, tax evasion and rising crime could help determine whether the maverick course he has charted -- a mix of market-oriented policies and populist defiance of International Monetary Fund prescriptions -- can bring Argentina onto sounder economic footing.

In the case of the piqueteros, the root problem is the social dislocation wrought by chronic unemployment. Unemployment, currently at 14.4%, is sharply down from the record 21.5% in May 2002, at the height of Argentina's recent financial crisis. But it remains high by world standards. Moreover, after excluding contracts held by some 1.7 million recipients of a controversial work-linked welfare program paying 150 pesos, or about \$50, a month, unemployment is 19.5%.

Many economists say Argentine joblessness reflects deep structural unemployment, triggered in large part by the layoffs that accompanied a wave of privatizations in the 1990s. A cyclical upturn, such as Argentina's current export-led recovery, has limited ability to put all those people back to work.

Supporters of the privatizations say Argentina failed to get new sources of jobs because the government didn't take additional steps to encourage investment, including further cuts in government spending and more legal security for investors. Critics of the privatizations, including Mr. Kirchner, say the solution is to re-create a bigger role for the state in the economy.

While Mr. Kirchner is complying with his promise to reinsert the government into the economy -- returning the postal service to state control and creating construction jobs in state-funded public-works programs, for example -- the public money is creating few new long-term jobs. He is also hamstrung by budget constraints. In a plan unlikely to satisfy piqueteros, for instance, the government says a newly launched state-run energy company will have only 25 employees.

The piquetero movement was born as a way to give a voice to workers laid off in the 1990s, who once counted on jobs for life at big state-run companies. Since then, soup kitchens and services organized by piquetero groups have helped rebuild a sense of community lost in the job cuts, further boosting the appeal of the movement. The organizations even, in many cases, help to distribute government welfare payments.

With the financial crisis of 2002, which put more people out of work, piquetero ranks swelled further. Households covered by piquetero-administered welfare plans are now estimated at more than 200,000. Meanwhile, the abrupt freezing and devaluation of bank accounts during the crisis meant that, for a time, the middle class and underclass were aligned against common enemies: corrupt politicians and the financial establishment.

But with economic recovery the solidarity has broken down. Where there was once sympathy for the piqueteros' plight, the middle class now seems fed up with them, especially with their roadblocks. There also is concern about official tolerance of piqueteros' sometimes-violent acts, such as the May firebombing -- in view of police -- of the fully staffed headquarters of privatized oil company Repsol YPF SA. During the last few months, bands of piqueteros have invaded countless offices and factories, targeting household names like Citibank, McDonald's and the Sheraton Hotel, and demanding cash handouts for charities, food and equipment for soup kitchens, accommodation, even jobs.

Mr. Kirchner had sought conciliation with the piqueteros, forming alliances with moderate piquetero leaders and imposing a "no repression" order to avoid voter backlash against potential bloodshed. But with the growing divide between piqueteros and the middle class, that strategy could now cost him critical popular support.

Torcuato Di Tella University's "confidence in government" index this week showed a 17% decline in August to the lowest level since Mr. Kirchner took power in May last year. The poll was taken shortly after a much-televised incident at the Buenos Aires city legislature in which protesters -- many identified as piqueteros -- spent four unimpeded hours destroying parts of the building.

Mr. Kirchner is responding. His ministers have stepped up their criticism of the tougher piquetero groups. He has reshuffled the security portfolio in his cabinet and put a bigger police presence in the streets. Meanwhile, a judge last week ordered the arrest of one piquetero leader, Raul Castells, on charges of extortion against a casino that paid him to end an occupation by his followers.

But piquetero militancy is growing as well. Many others have adopted Mr. Castells's practice of occupying businesses -- a practice that Argentine Economy Minister Roberto Lavagna worries will scare away foreign investors.

For Mr. Castells, that is precisely the goal. In an interview two days before his arrest, he said he blames foreign investors for the job losses of the 1990s. "The only thing that the imperialist multinationals have brought Argentina," Mr. Castells said, "is hunger."