

EXCURSUS 1

Trevor Fishlock on RECONSTRUCTING ARGENTINA

In 1865, in a remarkable episode in man's pursuit of dreams, 153 settlers arrived in Patagonia from Wales. They were drawn by the idea of democracy, a vision of Utopia. They sought refuge from religious oppression, from landlords, and from poverty. Illusions were soon dispelled, however, as if blown away by the fierce winds which constantly sweep that forbidding land. Eden turned to hell as they tried to hack a living from what must have seemed a moonscape.

Yet the passing years brought more Welsh people, and together they built their Welsh-speaking democracy, with a senate elected annually and votes for men and women at the age of eighteen. In time, however, the colony was incorporated into greater Argentina and its singular democracy died out.

Argentina is a country of many such immigrant groups, and, like all of them, the Welsh are now watching, enthralled, as an extraordinary period of their country's history unfolds under the leadership of Raúl Alfonsín. The Patagonian Welsh say they can claim a share of him: They have examined the new president's family tree and conclude that he is one-

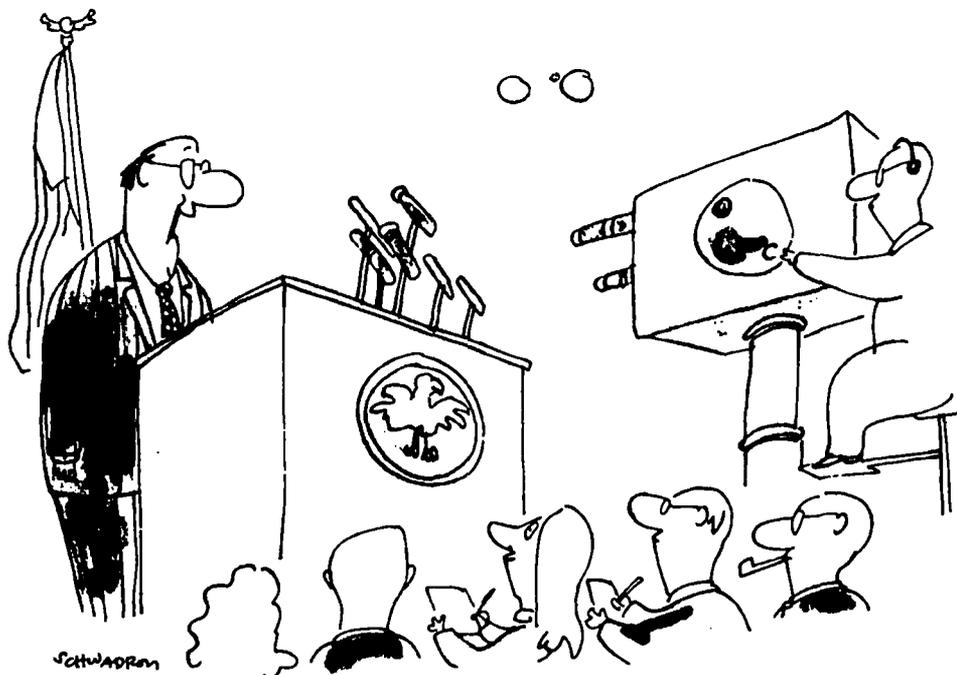
eighth Welsh. They may be indulging a Celtic fancy, but some of the descendants of the pioneers who came to plant democracy feel a certain satisfaction in the reemergence of a democratic strain in their adopted land.

After more than fifty years without democracy, Argentines are reveling in a life unfettered. On the streets of Buenos Aires small crowds gather to take part in political arguments. Street actors perform their plays. Musicians set up cello and violin stands. A music hall advertises "Opera Democratica." Shops display posters in their windows that read "Welcome to Democracy." Cinemas show movies that would have been forbidden under military rule, and bookshops sell titles that were once difficult to get.

Argentines say to the visitor: "You have to recall what life was like. In the repression we talked to nobody we did not know intimately. These streets were ruled by the police and their dogs. We all knew of somebody who had disappeared, young men or women picked up off the street or dragged from their families, never to be seen again. Just watch television to see what happened."

Night after night the television news presents the grisly ritual of exhumations. These are the bones of some of the thousands who had been taken to the military's clandestine prisons, tortured, and murdered. Most of the exhumed bodies are hard to identify. For one thing, the death squads cut off the hands to prevent identification.

The exuberance of a newly free people emerging from a terrible past is part of the atmosphere in which Señor Al-



"The Government is pleased to announce there are no more environmental problems. The environment has all been sold to private developers."

fonsín seeks to bring about his miracle, a revolution for democracy. He is the stagecoach driver with a fistful of reins attached to excited and unpredictable—and in some cases dangerous—horses.

To the president's advantage is his great political skill. A country lawyer by education, a seasoned politician by trade, Alfonsín has spent many years preparing himself and the Radical party for its immense task. Also on his side is the goodwill of most of Argentina's 28 million people and their great ache for change. To a considerable extent the election of President Alfonsín last fall restored much of Argentina's self-respect. A decent man put democracy on the republic's calling card and the people are grateful to him.

A new beginning is always appealing, but an experienced politician like Alfonsín knows that goodwill and euphoria have a limited credit value. He has to tackle three pressing and interrelated problems, and he must produce results. These concern the military, the economy, and the people's willpower.

The armed forces spent more than a half-century plundering the country and gathering much of its economy into their own hands. The presidency was beginning to look like a rank at the top of the army career ladder. Under the governments of the right-wing party, the engines and institutions of democracy fell into desuetude. The people were easily bought off with stunts, handouts, and the printing of more money. Argentina, in terms of resources, is one of the planet's wealthiest countries; yet under military rule and the careless populism of Peronism, it was thoroughly mismanaged and utterly broke.

The invasion of the Falkland Islands was a stunt intended to subdue public restlessness. The economy was in poor shape and inflation roaring. But the adventure proved a grotesque miscalculation, and the nakedness of Argentina's military emperors was at last plain to see.

The British counterattack certainly played a major part in the restoration of democracy in Argentina. And so did the relentless pressure of the human rights groups protesting the abductions and killings of thousands of innocent people during the military's "dirty war" against political extremists in the 1970s. To the annoyance of the military rulers, the Mothers of the Plaza de Mayo demonstrated once a week in the main square of Buenos Aires. They walked in a circle, silently, wearing white headscarves and carrying placards bearing photographs of their sons and daughters, the *desaparecidos*—the disappeared ones. This moving demonstration continues even now, for the Mothers do not believe their work is done. They are part of Alfonsín's equation.

Another part of the reconstruction of Argentine society involves rubbing the present military edifice and building an army more in keeping with the needs of a democracy without serious external enemies. It was not so long ago that the very snap of military fingers struck terror. Today, Argentina looks on as the generals squirm. The men who presided over the years of decline and humiliation are facing trial. They are being questioned by judges and spat on and jeered by crowds on the sidewalk. The leaders of the juntas that ran the country after 1976, including four former presidents, are charged with murder, torture, kidnapping, and responsibility for the disappearances.

President Alfonsín has to be careful. There is great pressure to prosecute hundreds of military men of lesser rank. There are many in the human rights movement—an important and influential political force—who want the captains, majors, and sergeants to be tried as well. But the president wants to avoid a witch hunt; justice, not vengeance, is his line. The armed forces are going along with the prosecution of the top men, but a dangerous resentment could build if the roundup goes too far. The military are demoralized and despised, a uniform the object of contempt, but they are not destroyed. The soldiers are uneasy at what is going on; their economic power is broken. Alfonsín's difficult task is to retain their confidence and avoid confrontation while persuading the people that he is not being soft or betraying the human rights groups.

The economy, too, has to be managed with great skill. Last year inflation leveled at about 450 per cent. Because prices rise daily, people spend their pesos as soon as they get them. Somehow the new government has to bring down inflation and strike a deal with the nation's international creditors. The president needs all the help he can get: At stake with the Argentine economy is Argentine democracy—and, to an extent, democracy in other parts of South America.

President Alfonsín would also be helped by some movement of the British Government regarding the Falklands. Alfonsín needs something to convince his people that progress is being made, however slow it may be, with regard to their claim to the Malvinas; and in this Mrs. Thatcher could make another contribution to Argentine democracy.

The Alfonsín phenomenon has already achieved much in a short time. Two-thirds of the armed forces' senior officers have been fired. The difficult task of reforming the powerful trade unions, whose leadership worked with the dictators, is under way. And the generals are being brought to book, though some are reminding the people: "You welcomed our coup in 1976. You wanted us to clear up the mess. You wanted us to fight the extremists."



"Secretly trained by the Americans? That's funny, so were we."

Punch

The revelations of the cruelties perpetrated under military rule are deeply shocking to many Argentines. What sort of people are these, they ask, our fellow citizens who murdered freely, shot little children, tied bodies together like strings of sausage and threw them from airplanes? The exhumed skulls rise as if to accuse. But people also wonder how long these memories will remain vivid. Many Argentines warn that they are a people of short memory—hedonists used to deluding themselves and unaccustomed to pulling together or making sacrifices. Argentines have long lived off the fat of the land; their national resolve, their willpower, has never been tested. They are an old-world people with shallow roots in the new; their leaders have lacked a real commitment to the country intellectually, politically, and financially. Señor Alfonsín has to break the mold.

Trevor Fishlock is New York Bureau chief of the London Times.

EXCURSUS 2

Richard O'Mara on PERU'S OTHER ECONOMY

Hernando de Soto is a buoyant fellow who runs a think tank in Lima called the Freedom and Democracy Institution, which has been studying what is called the "informal economy." When you hear the phrase in Peru you immediately think of Indians in the street selling razor blades, alpaca sweaters, and the like. This is what the institute is talking about, says de Soto, and much more. It is a challenge to the state—probably a healthy one. And if this is occurring elsewhere in Latin America, maybe the future down here will not be so bleak after all.

Usually, the sight of lots of people in the street selling things is a sign the economy is too weak to provide them with regular jobs. This is called underemployment. Street vendors are generally people who were once better off and have been reduced to that kind of work. From New York to Buenos Aires this has always been the case. But it is not the case in Peru. According to de Soto, these people are now doing better than ever before—even though they may labor unendingly and without protection in sweatshops and force the youngest among their children to work.

"About twenty years ago," de Soto says, "Lima used to be a city where the Spanish people lived. The Indians lived up in the mountains, and that was the way things were. Then we began to build roads out of Lima so the middle class could leave. The transistor radio was developed and magazines began to reach the interior. So what happened? Lima, a city of two million, gets hit with four million Indians."

In their efforts to get a foothold here the Indians encountered a system the Spaniards had planted in the New World, one that never changed except to get worse. Spain, de Soto notes, never had a feudal system like the rest of Europe's—a weak central government and a variety of powerful lords, each presiding over a virtually independent economic unit. Spain went right from rule by the Muslims of North Africa to centralized control under the Spanish crown.

This state centralism was transferred directly to Spanish America, and the economy was controlled very tightly. Once an efficient political-economic system, it has ossified in Latin America, becoming tortuous and labyrinthine and requiring lawyers, bribes, and seemingly endless amounts of time to pass through it. Here indeed is the monster Ronald Reagan claims to have seen in Washington before his election: a bureaucracy that discourages initiative, enterprise, and economic development.

To measure the drag of this system on economic activity, de Soto and his team started a small textile operation. "We set some women up with sewing machines in a building, then set about trying to legalize it. We had one lawyer. We paid only five bribes. It took us eight months to become legal. How many of these Indians coming down out of the *sierra* can afford that kind of time and effort?"

The answer to that question is obvious and explains why the Indians have ignored the requirements of the state and set up an informal economy. This has grown immensely, and de Soto was the first to measure it. He has found that there are some 300,000 vendors selling items supplied by more than 8,000 illegal textile and clothing factories and 2,000 shoe factories. Over 85 per cent of the furniture sold in Lima comes from such informal industries. In the area of services, several thousand unregistered construction companies are kept busy building solid houses in the *pueblos jóvenes*, or young towns, the euphemistically named slums on the periphery of the capital. A full 75 per cent of Lima's public transport system is informal: Nearly 90 per cent of the cab drivers are unlicensed, and many of the marked buses themselves are illegal vehicles. In all, an estimated 70 per cent of the labor force in Lima—which is home to a third of Peru's population—works in the informal sector. The same proportion is thought to apply in other cities of Peru.

That finding has a good side and a bad side. The bad side is that the government of President Fernando Belaunde Terry is being cut out of the action: The informal sector pays no taxes, no license fees. The good side is its indirect benefit to the state, for without the informal economy, Peru—whose gross domestic product declined 12 per cent last year and whose rate of inflation is 130 per cent—would probably be writhing in a social revolution right now. The informal sector is probably what is keeping Peru afloat.

De Soto says the study of the informal sector will be completed soon and its findings probably published in July. They are expected to reveal that the informal sector is in fact quite formal, with its own property and contract law, its own regulations for transactions among participants. That small yard of sidewalk on a Lima street on which the Indian family sells nail clippers, plastic combs, and hairpins may look like public property, but it is bought and sold for such use in the same way private property is bought and sold in the regular economy.

"What has happened is that a whole body of law has grown up beside the existing law," says de Soto. He's not sure where this will lead; no one is. If the same thing is occurring elsewhere, and de Soto thinks it may be happening in Mexico, it speaks well of the Indians, long thought a drag on development in the countries of Latin America in which they are numerous.

Richard O'Mara, Foreign Editor of the Baltimore Sun, writes frequently on Latin American affairs.