

the HERALD Outlook

Few would want new president's job



Your Business
Diane Maley
Thomson News Service

Years of corruption and economic mismanagement had caught up with Argentina long before President Carlos Menem took office last week.

It was a job few would want. The new president said he would perform economic surgery without an anaesthetic. But the patient already had been bled dry.

Among the first things Mr. Menem did was to cut in half the exchange value of the austral against the U.S. dollar. That's after it had lost 96 per cent of its value since February. Such a devaluation is inconceivable by Canadian standards.

For tourists, cheap currency would make Argentina a nice place to visit, if it were not for the occasional street riots.

Lowering the value of the national currency makes a country's exports more competitive in foreign markets. Indeed, Argentina will have to sell everything it can to earn foreign currency to pay for imports.

Most of the money earned, though, will go to repaying the country's huge foreign debt. Argentina owes the world \$60 billion (U.S.) Unpaid interest on the loans has swelled to \$3.5 billion. The money must be repaid in U.S. dollars.

SCARE SCENE

For Canadians, Argentina's

woes raise more questions than they answer. Buenos Aires, the capital, is a thriving, European-style city. How can it, and the entire country, be broke? Yet the national government has a mere \$150 million in U.S.-dollar reserves in the bank, hardly enough to buy lunch. What can Mr. Menem do to pull his country out of default?

That's a question North American bankers must be asking themselves as they watch the chaos unfold. If they are pinning their hopes on Mr. Menem, they might well be disappointed.

International investors no doubt are watching the situation with interest. The new government has indicated that it will ease restrictions on foreign investment in hopes of luring new capital investment. Building plants and factories in Argentina would be cheap, given the relative strength of the U.S. dollar.

Property is relatively inexpensive, with condominiums in Buenos Aires attracting the attention of U.S. investors. Mind you, land in Beirut is cheap, too.

CRISIS AT HAND

While Mr. Menem may be intending to flag foreign investors to the fact that Argentina is open for business, it looks more like Argentina is up for sale at bargain-basement prices. With \$60 billion of debt hanging over their heads, the people of Argentina cannot be blamed for being angry.

Increasingly, it is becoming apparent that many impoverished debtor countries will not be able to repay their loans to North American banks. Rather than living in dread of a wholesale default, bankers would be well advised to face up to the situation and write off their bad loans.

BEST AVAILABLE COPY
"OUTLOOK" is published each Saturday by the HALTON HILLS HERALD, Home Newspaper of Halton Hills, A Division of Canadian Newspapers Company Limited, at 45 Guelph Street, Georgetown, Ontario L7G 3Z6.
Second Class Mail - Registered Number 0943.
877-2201 877-8822
PUBLISHER David A. Beattie
EDITOR Brian MacLeod
AD MANAGER Dan Taylor
STAFF WRITERS Ben Dummett Donna Kell
SPORTS WRITER Paul Svoboda
ACCOUNTING June Glendenning Joan Mann
CLASSIFIED ADVERTISING Tammy Salt
ADVERTISING SALES Jeannine Valois Craig Teeter Stacie Roberts
PRODUCTION DEPARTMENT Dave Hastings, Supt. Annje Olsen Myles Gilson Susanne Wilson
CIRCULATION DEPARTMENT Marie Shadbolt
PRESSROOM FOREMAN Brian Aikman
PRESS ASSISTANT Todd Aikman

SNAFU® by Bruce Beattie



"If you'd been the first person to get it, I doubt they would've named it 'athlete's foot'!"

Free trade report cards may be misleading



Ottawa

Vic Parsons

Don't put too much stock in those six-month report cards on free trade that you may have seen recently.

The plain fact is that it's too early to reach any conclusions on how the historic Canada-U.S. deal will affect our country.

For the present, there are other factors - interest rates, tax changes, value of the Canadian dollar, government spending cuts, for instance - that are of greater significance to the economy.

Some will relate these things to the free-trade pact as well. Remember the unfortunate remark of Liberal finance critic Roy MacLaren that the deal will be blamed for every sparrow that falls. He managed to provide the government with ammunition which eroded his credibility and has effectively silenced him.

What we have now is a debate on which one side says Neptune is made of Roquefort cheese, while the other laughs and insists it's really a huge orange.

Neither side can prove their thesis.

Take the question of jobs. The Council of Canadians and the Canadian Labor Congress say 33,000 workers have lost their jobs since last Jan. 1 because of the deal.

They are undoubtedly correct that some of those losses are due to free trade as companies make adjustments to cope with the new era. But how many is hard to say. Every year hundreds of thousands of Canadians change jobs, either because of company decisions or simply because they want to work elsewhere.

MORE WORKING

The government can support its case with the latest job statistics. June's jobless rate of 7.3 per cent is

the lowest since 1981. There are more than 300,000 more people working now than last December.

When free-trade opponents wave their list of dozens of companies that have slashed work forces since Jan. 1, Trade Minister John Crosbie taunts them with his own seven- or eight-page summary of companies which are increasing their investments in Canada. He has tormented his critics by refusing to release that list.

Some companies have reportedly fired staff because they can take advantage of the so-called Maquiladora program, which allows manufacturing of goods in wage-cheap Mexico and shipping them into the U.S. A recent case cited by NDP trade critic Dave Barrett involved Bovie Manufacturing Co. of Lindsay, Ont.

But this has no confirmable link to free trade. For decades, companies have been shifting investments to countries where the costs of production are lower. Indeed, Canada's auto industry has been among the beneficiaries of this in recent years.

Free-trade critics have also suggested that our high interest rates, leading to a strong Canadian dollar, are part of a deal struck with the Americans. The argument is that the higher rates deliberately make our products less competitive in the U.S. and reduces our hefty trade surplus.

As evidence, the Council of Canadians cites the \$129-million trade surplus in April, the lowest monthly figure since September, 1981.

But it's risky to put too much weight on a one-month figure, particularly in statistics as erratic as trade figures. High interest rates, in fact, have more to do with the Bank of Canada's preoccupation with inflation.

The council says changes to unemployment insurance, the clawback of family allowances and old-age pensions from wealthier recipients, and a trimming of regional development plans are due to free trade.

It could be the government is trying to put on a show for American negotiators as talks near on the critical issue of what constitutes a "subsidy."

Who's getting the publicity



Ottawa

Stewart MacLeod
Thomson News Service

Well, NDP leadership candidate Simon de Jong certainly made Tom Wappel's day. Or, at least we can assume he did.

Mr. de Jong, the MP from Regina Qu'Appelle and one of six declared candidates for the NDP leadership, made Mr. Wappel's day when he said the Liberal leadership contest is attracting more media attention than his own party's.

And why would this remark mean so much to Tom Wappel? Well, for openers, he is the only declared candidate in the Liberal race. As things stand at the moment, he is the race.

In the circumstances, Mr. Wappel must take it as a resounding compliment when one of six NDP leadership hopefuls complains about the Grit race getting better coverage.

Mind you, if we wanted to be entirely fair, we would point out that Mr. de Jong was undoubtedly talking about all the media speculation surrounding such Grit hopefuls as Jean Chretien, Paul Martin Jr. and the like. But why spoil Tom Wappel's day. He is, after all, the only Liberal candidate to hold a news conference to announce his entry.

And, until Mr. de Jong suggested otherwise, this particular news conference was not a national event.

In fact, I have a rather deeply held belief that Tom Wappel is not going to succeed John Turner as Liberal leader. Hate to put a damper on his enthusiasm, but that's the way it is.

MAKES HISTORY

When the MP from Scarborough West held back-to-back news conferences in Toronto and Ottawa to declare his intentions, he did make history of sorts. No one in attendance in Ottawa - we won't go into numbers - could recall another occasion on which a potential national leader devoted so much time to teaching people how to pronounce his name.

Usually, this is already established.

But Mr. Wappel had it written for the assembled media. "Wappel is pronounced wah-pell and rhymes with well."

But even this doesn't put much sting in the slogan "Wappel doesn't waffle."

That having been said, Mr. Wappel clearly does not waffle on major issues. He's dead set against the Meech Lake accord, which his party officially supports, and he's more dead set against abortion - even when the pregnancies are caused by rape or incest.

He also believes that all immigrants must be tested for AIDS.

Some of his other positions remain to be spelled out, but one gets the feeling they will not all be of the traditional Liberal variety.

But there is one area in which the 40-year-old lawyer maintains a tradition. Like just about every aspiring political leader in history, he says that Canadians "no longer recognize the essence of what made our country great."

If I had a buck for every public figure who held this view in times of need, I could comfortably retire.

Berry's World

Jim Berry
© 1989 by NEA, Inc.

"The plot was thin, the acting was fair, but the dirty language was GREAT."