



Argentina and President Mauricio Macri

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President Mauricio Macri, was sworn in as President of Argentina in December 2015. His win over the ruling party's candidate, Mr Daniel Scioli, ended twelve years of Presidency of the Peronist Party led by President Cristina Fernandez Kirchner. In this campaign to be the President, Mr Macri, was able to unite the opposition parties such as the Radical Civil Union and the Liberal Civil Coalition with his the centre- right Macri Propuesta Republicana party (PRO). President Macri's election campaign, "Let's Change: Change is Possible", has resonated with the Argentinean voters. Largely focusing on domestic needs, his campaign identified four challenges that would be the focus of the new Presidency. They were a) achieving zero poverty, b) an infrastructure project to connect the country with the northern providences, c) an end to the drug trade to save the future generation of Argentineans, d) and lastly, to ensure that the government is transparent and accountable to the people. On Argentina's foreign policy he had stressed on the need to build institutions from the region while building on the troubled relations with the United States and Europe.

In the year and a half since he has assumed office, President Marci has been able to implement his reform agenda, despite his government having a minority status in the Argentine National Congress.¹ In contrast to Kirchnerism, which held the majority in both Chambers, the new coalition government – Cambiemos – was in minority in both Chambers following the elections. The key to the new government's success is being attributed to the fact that President Marci has been able to develop his relationship with the provincial leaders and governors. The latter are of particular importance, as the Argentine electoral system allows governors to hold considerable influence over federal lawmakers from their provinces. At the same time, provinces are highly reliant on fiscal transfers from the national government, granting the President's influence over governors. This has allowed President Marci to gather support for his policies within the Congress.² The President has also used his executive powers to push through his reform agenda.

Economic Reforms

The Argentine government has been able to end the cycle of Argentina's defaulting on its sovereign debt. In 2015 it was able to reach an agreement with its four main US creditors. Argentina's payment of \$4.65 billion will be 25% less than what was being demanded by the creditors but it would be much more for the investors, who bought the debt at a fraction of its face value. Argentina settled with an additional 115 individual creditors holding defaulted sovereign bonds for \$155 million. It reached a \$1.35 billion agreement with Italian investors who held defaulted bonds and committed to spending \$6.5 billion in order to settle more than \$9 billion worth of claims in the U.S. courts.³ With these agreements, Argentina settled with creditors and helped end the country's isolation in the international market.

In his other economic reforms President Macri scrapped tariffs on agricultural products such as wheat, beef and corn and reduced from 35% to 30% the tariff on soya, Argentina's biggest export. The government also lifted the controls placed on exchange of US dollars to encourage exports of hoarded grains to earn much needed foreign exchange, as well as to simulate the economy. The lifting of currency control also ensures that there would be only one exchange rate instead of the multiple rates that had come to exist. The government of President Cristina de Kirchner's had in November 2011, introduced currency controls putting restrictions on the purchase of the US Dollar, which was the preferred mode of savings instead of the inflation-prone peso. It resulted in the creation of a parallel black market exchange rate.

Argentina attracted \$16.8 billion almost six times more than it expected from an amnesty on unregistered funds held abroad, boosting fiscal revenue that might help it meet the budget deficit target for the second time. Participants in the amnesty paid a 10 percent fine if they declared their funds before Dec. 31 and 15 percent after that. They were also given the option to invest in three-year government bonds paying zero interest or seven-year bonds paying a 1 percent coupon. President Mauricio Macri announced the amnesty in May 2016 to help capture a fraction of as much as \$500 billion in funds believed to be stashed abroad.⁴ A majority of the money is going to be used to pay government wages and pensions.

One of the primary points on the agenda of President Macri was his 'Zero Poverty' programme. While reducing poverty has been the aim of the government, the goal to achieve zero poverty in the near future has been ruled out. In support of his bid for a transparent government, the Argentine government's National Statistics and Census Institute released poverty figures in 2016, after a gap of three years which pointed that, the poor surveyed in Argentina totalled 8.8 million people, or 32.2 percent of the population in 31 urban areas surveyed.⁵ Poverty is also likely to remain high as the Argentine economy undergoes a process of reforms. In March 2016, the government officially declared that the economy is no longer in recession. According to the IMF, Growth is expected at 2¼ percent in 2017, driven by a rebound of private consumption, stronger public capital spending, and a pickup in exports.⁶ Nonetheless, the country has to still overcome a few problems. Inflation being one of them. High inflation has caused food, water, housing and transit prices to rise. The government is reducing or stopping subsidies on certain products, and has raised electricity and gas tariffs, devalued the peso, has decided to dismiss some government

employees and also entered into wage settlements with the powerful trade unions in its bid to streamline the economy and reduce inflation in the long term.

Political Reforms

In his efforts for greater transparency in the workings of the various government organisations, President Macri, has ordered an overhaul of the country's statistics agency. The agency had lost its credibility to provide accurate data on the health of the economy and in 2013, Argentina became the first country to be censured by the IMF for publishing inaccurate data. It is hoped that the agency, now working independently, will be able to bring back investor confidence in the Argentine economy. President Macri has also been able to bring about much needed transparency in the functioning of government officials. Decree 201/2017⁷ concentrates in the Procuración del Tesoro cases between government agencies and the President, the Vice President, and cabinet ministers and their close relatives. Decree 202/2017⁸ requires publicity of bids made to or contracts between government agencies and relatives of public officials and strict controls of proceedings. President Macri in June 2016, announced the electoral reform bill. Some of the main proposed changes include:

- Electronic voting: the electronic system is set to replace the existing paper ballots which are printed and distributed by the political parties. With the move, the government intends to achieve greater “transparency and agility” during the vote count. The bill stipulates the performance of audits before and after Election Day.

- Unified candidacies: the measure seeks to put an order to the election process in the country by preventing a same candidate from running in different categories (such as a simultaneous run in the national and provincial race).

- Compulsory presidential debate: the bill calls for the holding of a compulsory televised debate for all presidential candidates in the general elections and the second round of voting (should a runoff be necessary).

- Financing of political parties: the measure effectively amends the current electoral legislation in Argentina, creating a number of tools to strengthen the anti-corruption provisions of the law. The government's aim is to accelerate and expand sanctions against those who violate the law. The auditors' body at the National Electoral Court (CNE) will be expanded from eight to 24 members — a long-time demand from election auditors.⁹

- Political parties submitting candidate lists in mid-term elections will have to ensure that 50% are women. Moreover, male and female names must be alternated down each list's ranking of preferences, preventing a situation where male candidates might be bunched at the top and win a disproportionate share of the posts. Argentina already has legislation requiring that a minimum of 30% of members of Congress be women (the percentage currently is 38.5% in the Chamber of Deputies and 41.7% in the Senate). The new law means that the proportion will rise towards parity.¹⁰

The Lower House of the Argentine Congress has approved the electoral reform bill (June 2016) but it was rejected by the Senate (November 2016). The government has stated that it is committed to the reforms and will work with the Congress to achieve them.

Social Reforms

The government's infrastructure programme to connect the Northern provinces is facing the difficulty of raising funds. The objective of this project is to improve water supply and sanitation in 10 provinces in the north of Argentina, directly benefitting 30% of the population in these provinces. In March 2017, the World Bank approved a US\$ 125 million IDBR loan towards this project.¹¹ It is hoped that with the fund now available the project could be implemented quickly.

In its fight against drugs in Argentina, the government has decided to follow the example of other nations in the region by treating it as a security issue rather than just a social issue. This has meant that the government under a Presidential decree has declared a state of emergency, allowed the military to shoot down suspected drug planes that fly out of the numerous unauthorised airfields around the country and expanded the military's role in anti-drug operations. The militarisation of the drug policy has been criticised by human right activists who point that this would increase extra judicial killings without solving the problem. They feel it leads to military's intervention in domestic policies and issues that are under the jurisdiction of the police. They point to the fact that drug/ criminal networks are successful as a result of the ties they develop with the public, judicial and police officials to build these networks; and the cycle of violence in poor neighbourhoods, which allows young people to join these groups. The government needs to include these issues in building a comprehensive policy to overcome the drug problem. Within the judiciary, he has appointed two new judges to the Supreme Court and enhanced the court's oversight of security surveillance.

Foreign Relations

Over the last year, the government has successfully focused on strengthening international relationships in the hope of increasing investment and trade. The Pink House has been able to establish cordial relations with the White House. Relations between the two countries were strained by Argentina's \$100 billion debt default in 2002. President Marci visited President Donald Trump in April 2017. He was able to build on his personal relations with the US President. The joint statement mentioned that the two nations would be working together to combat narcotics trafficking, money laundering, terror financing etc. It also stated that the two nations were committed to expanding trade and investment relations.

In the year and a half of the new government it has also been able to expand Argentina's relations beyond the Latin America and Caribbean region to deepening its relations with China and Japan in Asia, with President Marci visiting the former and hosting Japan's Prime Minister Shinzo Abe. President Marci has also met Canada's Prime Minister Justine Trudeau and Chilean President Michelle Bachelet.

In a further boost to the international image of the country, it hosted the World Economic Forum's Latin America summit (April 2017). Argentina would also host the G-20 summit in 2018.

This would be the first time that the economic summit would be hosted by a country from South America. It will also host for Football World Cup in the same year. Argentina is also trying to be included as a full member of the Organization for Economic Cooperation and Development (OECD).

Within the region, Argentina also assumed the presidency of MERCOSUR in December 2016. Under its leadership, it hopes that an EU-MERCOSUR trade agreement would be finalised. Argentina is also viewing the Pacific Alliance to build closer cooperation in the continent. Argentina views the divergent views on trade policies between Mexico and the United States as an opportunity to further integrate the region, as Mexico could be encouraged to look south to make up for lost revenue from the United States. Under its leadership, MERCOSUR has suspended the membership of Venezuela from the regional bloc. In an interview to the CNN's Spanish language services (06 April, 2017), President Macri has stated that, Venezuela could be permanently expelled from the South American trade bloc Mercosur if its government does not change its behaviour.¹² Argentina has been critical of the government of President Nicolas Maduro and called upon it to respect human rights and democratic institutions. Argentina's more independent geopolitical role in the region also comes as Brazil, the other powerful nation in the region tries to stimulate its economy and overcome the political crisis.

The Challenges Ahead

By using his political experience of being the Mayor of Buenos Aires, President Macri has been able to continue to have the support of the people of Argentina. Despite high inflation, unemployment, and stagnant growth, polls show that the majority of the population is still giving the President the benefit of doubt. As a salient point, the performance of Mr. Macri as President maintains a high level of approval of 55%, despite the difficult economic context. These are the main conclusions reached by an exclusive survey of Poliarquía Consultores for the daily LA NACION, conducted in December 2016.¹³

For the moment, President Macri has to focus on his domestic agenda. His government's policies would be tested during the October 2017 mid-term elections. The elections would renew nearly half of the 257 seats in the Chamber of Deputies (Lower House) of the Argentine Congress. Currently, President Macri's party has only 42 seats in the Chamber and its with the support of his coalition partners that he has been able to maintain a majority. The elections are also for a third of the 72 seats in the Senate (Upper House), as well as two posts of provincial governors. The main contenders are the Cambiemos alliance and the two main opposition groups: the Front for Victory (FpV) coalition of former president Cristina Fernández (2007-15), which remains the strongest adversary to Macri in Congress, and the Renewal Front (FR) coalition led by Sergio Massa, perceived as a more moderate and cooperative faction of the Peronist political movement. Persistent inflation and unemployment has proved to be a problem for the government, with teachers and other government employees marching on the streets in protest. They are demanding a pay increase.¹⁴ The government has to find a middle path through which it can work towards its reform agenda while ensuring that its welfare spending remains sufficient.

Irrespective of the results of the elections, President Macri would have to continue to revive Argentina's stagnant economy. His government is hoping to achieve this through foreign investment. The drive for foreign investment is part of a broader attempt to reconnect with the world, after many years of isolation under the Kirchner government when relations with western powers such as the US and the UK collapsed.¹⁵

Bi-lateral Relations

Argentina's relations with major Asian countries have been diverse, but overall growing in recent years. Cultural and political links between Argentina and some of these countries, including Japan and India, date to the late nineteenth and early twentieth centuries. Argentina's relations with India are modest, although growing. Indian culture as well as yoga have always been appreciated and respected in Argentina. There is a quite small Indian community in Buenos Aires.¹⁶ India under the current government is focusing on deepening its south-south engagements. Latin America and the Caribbean region has been identified as important to India, especially in the economic sphere. As India tries to expand its economic growth and create jobs for its growing youth it is looking at the LAC region to partner in its successes.

India and the countries of the LAC region share more than a historical link as colonies to European powers, they face similar challenges of social development in areas such as poverty reduction, quality education and health for all. During his visit to Brazil to attend the BRICS Summit (July 2014) Prime Minister Modi took the opportunity to meet with the Heads of States of the other countries of the region to deepen India's ties with LAC region.

India and Argentina share cordial relations. Prime Minister Narendra Modi in 2016 met Argentine President Mauricio Macri, on the sidelines of the G-20 Summit in China and thanked him for supporting India's membership at the Nuclear Suppliers Group (NSG). India and Argentina in 2009 have signed an Agreement for Cooperation in the Peaceful Uses of Nuclear Energy. President Macri on his part has called on India to invest in exploration of gas reserves in Argentina and also collaborate to achieve nutritional security. India is keen to expand relations between the two countries in areas such as agriculture technology, mining and hydro carbons. India is diversifying its energy needs and today is the largest importer of crude oil from the LAC region. India and Argentina also collaborate on scientific research in Antarctica. This is especially important as India along with Argentina, is committed to understanding the consequences of climate change and mitigate the same. There is also a stress on the need to invest in renewable energy.

It is likely that during the G20 Summit in Argentina (2018), the relations will be further bolstered. Apart from energy security and collaboration in the agricultural sector, India could also develop its defence and security ties with the region while increasing trade in pharmaceuticals. It will also be the first visit by an Indian Prime Minister in over twenty years, with the last being Prime Minister P.V.Narashimha Rao in 1995 for the G-15 Summit. The two Heads of Government did hold a bi-lateral meeting on the sidelines of the G-20 Summit in Hamburg, Germany (2017). Apart from these visit, India and Argentina officials have been meeting each other at regular intervals, for example, in 2013, Mr. Salman Khurshid, then Minister for External Affairs of India

visited Argentina. Francisco Perez, then Foreign Minister of Argentina, visited India the same years as well.

India is now looking at Argentina and the LAC region as nations with vibrant democratic culture and growing economies. Similarly, the view of India has also witnessed a positive change in the region. Indian IT companies success, high economic growth, large foreign acquisitions have meant that the countries of the region including Argentina are looking at India for investment and trade. India's growing international footprint has also meant that India is a sought after partner to strengthen south-south cooperation. India and Argentina's relations will grow in the future as the governments of the two countries make a conscious effort to build trade, security and political relations away from their traditional partners in Europe and North America.

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Disclaimer: Views expressed are of author and do not reflect the views of the Council.

End Notes

¹ The Legislative Power of the Argentine Republic is vested in the National Congress. It consists of two Houses: the Senate and the House of Deputies. Senators represent each of the provincial states and the Federal Capital as autonomous political entities. They are chosen by their respective local Legislatures. The Deputies, on the other hand, represent the people and are directly chosen by them, their number depending on the number of inhabitants.

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³ Daniel Bases, "Argentina, creditors agree to \$155 million more in default settlement: mediator," <http://www.reuters.com/article/us-argentina-debt-idUSKCN0WKiTK>, Accessed on 27 June 2017.

⁴ Charlie Devereux, "Argentina Rakes in \$16.8 Billion From Hidden Assets Amnesty," <https://www.bloomberg.com/news/articles/2017-04-04/argentina-rakes-in-16-8-billion-from-hidden-assets-amnesty>, Accessed on 28 June 2017.

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⁶ IMF, "Latin America and the Caribbean: Bouncing Back from Recession," <https://www.imf.org/en/News/Articles/2017/05/18/NA190517Latin-America-and-the-Caribbean-Bouncing-Back-from-Recession>, Accessed on 28 June 2017.

⁷ Available at <https://www.boletinoficial.gob.ar/#!DetalleNorma/160467/20170322>

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¹² Reuters, "Argentina's Macri says Mercosur could permanently expel Venezuela," <http://www.reuters.com/article/us-venezuela-politics-argentina-idUSKBN17902L>, Accessed on 07 July 2017.

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¹⁴ Thomaz Favaro, “Argentina’s Mid-Term Elections: Will Macri’s Pro-Business Reforms Stand The Test?,” <https://www.forbes.com/sites/riskmap/2017/03/23/argentinas-mid-term-elections-will-macris-pro-business-reforms-stand-the-test/2/#4aeofoc67b89>, Accessed on 28 June 2017.

¹⁵ Benedict Mander, “Interview: Argentine president Mauricio Macri looks to end confrontational politics,” <https://www.ft.com/content/62219644-5807-1e6-9f70-badea1b336d4?mhq5j=e3>, Accessed on 04 July 2017.

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