



## **The Current Economic Crisis and the Upcoming Elections in Argentina**

*Dr Stuti Banerjee\**

**Abstract:** *In a background of economic uncertainties Argentina is preparing for Presidential elections later in the year. Incumbent President Macri's bid for re-election to a large extent depends on his ability to overcome the economic problems in Argentina.*

Argentina goes to the polls on 27 October 2019. President Mauricio Macri is seeking a second term to office. His party, the Propuesta Republicana (Republican Proposal) or PRO, hopes that despite the current economic crisis, voters would re-elect him. For the moment, his re-election bid largely depends on the economic recovery package from the International Monetary Fund (IMF) and consequences of other economic policies of the Argentine government, such as austerity to eliminate the primary fiscal deficit, which should show results in the second quarter of 2019.



President Mauricio Macri

Argentina has been plagued by economic problems for several years but the commodities boom of the past decades helped the country repay the money it owed to the IMF. It cleared its entire debt to the multilateral organisation in 2007. While the economy thereafter, stabilised for a few years, increased public spending, subsidies to industry and a controlled exchange rate under President Cristina Fernández de Kirchner created new problems. President Macri campaigned on the promise of returning Argentina to a market economy and ending governmental controls. He won the elections in 2015 and pledged to improve Argentina's image in the international market and attract investments.

However, the Argentine GDP declined by close to 3% in 2018 and has been projected to decline by 2% in 2019. The 2018 inflation rate of 48% is not expected to drop below 25% in 2019.<sup>1</sup> The 2018 drought, the worst in fifty years, ruined the corn and soybean harvests and further eroded the economic recovery. Its currency, the peso, lost more than half of its value against the U.S. dollar over the course of 2018. Faced with difficulties in financing its budget deficit, in June 2018 the Argentine government turned to the IMF for a \$50 billion program and later for \$57 billion. The two bailout programmes are amongst the largest in the history of the IMF. Despite the bailout plan and other domestic austerity measures, the government is still struggling to restore economic stability and gain investor confidence.<sup>2</sup> Most economists feel that Argentina can recover from the economic recession; however, President Macri's political priority is to obviously ensure that the people of Argentina experience the benefits of the recovery before the October elections.

It is in this background of economic uncertainties that Argentina is preparing for the Presidential elections. There are four key dates in these elections: June 22 is the last day for candidates to formally file their applications for federal office. On August 11, the mandatory primaries will be held in the country. The presidential and congressional elections are on October 27. If there is no clear winner then a runoff presidential election will be held on November 27. Amid economic recession, President Macri has started to focus on other achievements of the government such as the law and order situation in the country. He has been able to achieve some successes in drug control and corruption. The corruption scandals of the previous administration have also been highlighted in a bid to ensure that support for the opposition remains negligible.

The main opposition that President Macri faces are from the Peronists and their leader former President Christina Kirchner. As stated above, the corruption cases against the previous government are being highlighted to reduce support for the party. Apart from the Peronist party, the Federal Alternative party has several candidates. They are campaigning on the platform of providing Argentina with an alternative to both President Macri and former President Kirchner, who they blame for the economic crisis.

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<sup>1</sup> Baker Institute, "The 2019 Presidential And Petro-Province Elections In Argentina," <https://www.forbes.com/sites/thebakersinstitute/2019/01/22/the-2019-presidential-and-petro-province-elections-in-argentina/#310a01501049>, Accessed on 24 April 2019.

<sup>2</sup> Congressional Research Service, "Argentina's Economic Crisis," <https://fas.org/sgp/crs/row/IF10991.pdf>, Accessed on 28 March 2019.



Former President Cristina Fernández de Kirchner

In this scenario, the next administration will have a difficult task cut out for it. The IMF support would include strict terms that may be unpopular with the people, social spending would also need to be cut and this may include reducing government jobs. It would also have to work to regain investors' confidence.

### **Relationship with India**

President Macri's election in 2015 was the first time in Argentina that a candidate who did not belong to a prominent political party got elected to the highest office. He was elected on the platform of 'Let's Change' which was with a view to addressing the rampant corruption and making Argentina more business friendly. As he finishes his term in December he would also be the first candidate not from the Peronist party to complete a full term in office.

In an effort to control inflation, President Macri has recently announced, price controls on 60 products deemed essential, including rice, milk and sugar. He also launched a new program for subsidies on sectors ranging from travel and tourism to construction materials, which have price discounts from 10% to 25% off the market rate for Argentineans.<sup>3</sup> It remains to be seen if these measure will arrest inflation in time for the elections in October. For the moment the President and his opponents are campaigning to showcase their achievements, but the new President would have to reinvigorate the economy.

In an endeavour to attract investors, President Macri on his visit to India (in February 2019), invited India business to invest in Argentina, in sectors such as agriculture, renewable energy and tourism. Several Indian companies have established operations in Argentina with cumulative investment of approximately USD 1 billion (as of 2018). These include TCS, CRISIL, Bajaj, Hero, Cellent (Aegis Essar), United Phosphorus Ltd (UPL), Glenmark, Godrej, etc.<sup>4</sup>

<sup>3</sup> Kenneth Rapoza, "Argentina's President Macri Becomes A "Peronist", <https://www.forbes.com/sites/kenrapoza/2019/04/22/argentina-president-macri-becomes-a-peronista-echos-of-raul-alfonsin/#7cacabda51b9> ,Accessed on 24 April 2019.

<sup>4</sup> Embassy of India, Buenos Aires, "India-Argentina Bilateral Relations," <https://www.indembarg.gov.in/page/relations/>, Accessed on 24 April 2019.



Prime Minister Narendra Modi and President Macri

During his talks with Prime Minister Modi and business leaders in India, President Macri stated that Argentina views India as a partner for the future with complementarities in building renewable energy resources, ensuring food and nutritional security for their citizens. He was the first foreign leader to visit India after the Pulwama terrorist attacks, and said that Argentina and India were partners in the fight against terrorism. This visit was in continuation of the dialogue between Argentina and India which was taken forward during Prime Minister Modi's visit to Buenos Aires for the G-20 summit in 2018 and to celebrate seventy years of diplomatic relations.

President Macri's visit provided the two countries an opportunity to review the progress in bilateral ties and to explore new avenues of cooperation as they both prepare to install new governments.

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*\* Dr Stuti Banerjee, Research Fellow, Indian Council of World Affairs, New Delhi.  
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