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## FEATURED Q&A

# How Will Peronists Govern Argentina This Time Around?



Argentine President-elect Alberto Fernández and his running mate, former President and incoming Vice President Cristina Fernández de Kirchner, declared victory Sunday night. // Photo: Fernández Campaign.

**Q** Peronist candidate Alberto Fernández on Sunday won an outright victory against incumbent President Mauricio Macri in the first round of Argentina's presidential election. Fernández's win was smaller than expected, garnering 48 percent of the vote to Macri's 40.4 percent. What factors led to Fernández's victory, and what do the results say about Argentines' main concerns and priorities? How well will he manage Argentina's economy, including its inflation and currency pressures? What will the climate for business and investment be like in Argentina under its new president, and how will his term be similar to that of former President and Vice President-elect Cristina Fernández de Kirchner?

**A** Emilia Cerra, specialist, and Megan Cook, lead specialist, both in the political and regulatory risk/strategic affairs practice at Cefeidas Group in Buenos Aires: "Fernández was able to capitalize on the somber economic situation as well as the social discontent it has generated. His criticisms of Macri's handling of economic issues paid off. However, he was unable to considerably expand his electoral base as compared to the primaries in the last trench of the campaign. This contrasts with Macri, who effectively mobilized his base and attracted voters from third-party candidates through a right turn and doubling down on anti-Kirchnerist rhetoric. The combination of these factors shrank the margin between the two candidates. The results confirm Argentines' concern about the economic situation, especially inflation, unemployment and currency controls. However, the results also show a divided country with votes split along geographic

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### POLITICAL

## Chile Protests Continue Despite Cabinet Shuffle

Hooded protesters clashed with riot police on the streets of Chile's capital Santiago, igniting several significant building fires that caused smoke to blanket the city.

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## U.S. Grants Adobe License to Operate in Venezuela

The United States has granted Adobe a license allowing it to continue operating in Venezuela. The software company reversed a controversial decision to shut down all of its accounts there.

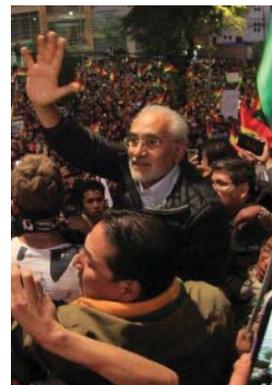
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### POLITICAL

## Uncertainty Continues Over Bolivia Elections

Carlos Mesa, who rejects the official Oct. 20 vote tally and has been accused by officials in the government of President Evo Morales of inciting violence, said Monday at a massive rally in La Paz that he would "go to the presidency or go to jail."

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Mesa // File Photo: via Twitter @ carlosdmesag.

## POLITICAL NEWS

## Chile Street Protests Continue Despite Cabinet Shuffle

Hooded protesters clashed with riot police on the streets of Chile's capital Santiago on Monday, igniting several significant building fires that caused smoke to blanket the city center well into the evening hours, La Tercera reported. Protests continued outside the capital as well. In Concepción, 73 stores were damaged or looted, according to the local Chamber of Commerce. In Valparaiso, 30 buses were

**At least 20 people have died over the last 10 days of protests, which continued Monday.**

stoned, leaving several passengers injured. The protests continued even after President Sebastián Piñera earlier in the day on Monday swore in eight new cabinet ministers, a third of the total number, in a bid to show he is willing to address the concerns of demonstrators. Piñera replaced the heads of the interior, treasury, economy, labor and four other ministries with generally younger officials seen as more centrist and accessible, the Associated Press reported. New Minister of Finance Ignacio Briones cautioned that while Chile will end the year with bad economic indicators, "the most worrying thing" is that Chile's recent social unrest generates "serious investment disincentives," according to La Tercera. "If we are not able to show signs of unity and quickly roll out a tax reform that gives a powerful incentive to investment, we will be generating a problem for the coming years," Briones said. Workers at Chile's Escondida copper mine, the world's largest, announced plans for a work stoppage today to show solidarity with the protesters, Agence France-Press reported. At least 20 people have died and thousands were injured in 10 days of protests.

## ECONOMIC NEWS

## IMF Chief Extends Olive Branch to New Argentine President

The International Monetary Fund's managing director, Kristalina Georgieva, on Monday congratulated Argentine President-elect Alberto Fernández on his win Sunday and said the fund was preparing to work with his government, The Wall Street Journal reported. "We look forward to engaging with his administration to tackle Argentina's economic challenges and promote inclusive and sustainable growth that benefits all Argentines," she said on Twitter. Fernández, a Peronist who handily defeated right-of-center President Mauricio Macri, inherits a government on the brink of insolvency, with more than \$100 billion in foreign debt. As capital fled the country last year, the IMF extended Macri's administration a \$57 billion bailout in 2018, the largest ever by the world's "lender of last resort," but the money is conditioned on austerity measures that Fernández campaigned against. The IMF recently suspended a \$5 billion installment as uncertainty intensified.

## BUSINESS NEWS

## U.S. Grants Adobe License to Continue Venezuela Operation

The administration of U.S. President Donald Trump has granted Adobe a license allowing it to continue operating in Venezuela, prompting a reversal from the software company over a controversial decision earlier this month to shut down all of its accounts in the South American nation, Adobe said in a statement on Monday, the Financial Times reported. "After discussions with the U.S. government, we've been granted a license to provide all our Digital Media products and services in Venezuela,"

## NEWS BRIEFS

## Bolivia: Uncertainty Continues Over Disputed Elections

Opponents and supporters of Bolivian President Evo Morales held large rallies on Monday with each claiming victory in elections held more than a week ago, La Razón reported. Speaking in El Alto, Morales reiterated his claim to victory in the Oct. 20 vote, in which election authorities say he achieved the 10 percent margin needed to avoid a runoff by less than a percentage point. Carlos Mesa, his challenger, said Monday at a massive rally in La Paz that he would "go to the presidency or go to jail." Officials in Morales' government have accused Mesa of inciting violence.

## Mexico Trade Balance Suggests Contraction

Mexico's trade balance recorded a small \$116 million deficit in September, showing a weakness in Mexican exports that suggests the economy likely contracted in the third quarter, central bank board member Jonathan Heath said on Monday, Reuters reported. Heath said on Twitter that there was a "high probability that GDP in the third quarter ends up in negative territory." While the new data was lower than expected, it was better than a year ago.

## Argentina Generates More Power From Renewables

Electricity generation from renewable sources in Argentina increased 18 percent in September, as compared to the previous month, to supply 7.9 percent of the country's electricity demand, PV Magazine reported Monday. Most of the increase can be attributed to an 18 percent rise in wind power. Renewable energy reached 810 gigawatt-hours (GWh) in September, higher than the 683 GWh of electricity it generated in August. The country has set a goal of supplying 12 percent of electricity demand with renewable energy by year-end.

Adobe said. “Users can continue to access the Creative Cloud and Document Cloud portfolio, and all of their content, as they did before. If you lost access to premium services, they will be restored within a week,” it added. The California-based company on Oct. 7 announced it would be withdrawing from Venezuela in order to comply with U.S. sanctions, a move that would have left thousands of users without access to programs such as Acrobat Reader and Photoshop. It also would have affected Venezuelans living elsewhere whose software had been originally registered in the South American country. In August, the U.S. government froze all Venezuelan state assets in the United States and threatened sanctions on any firm doing business with the government of President Nicolás Maduro, Reuters reported. Adobe had cited such measures for its decision earlier this month.

## Pemex Posts \$4.43 Billion Loss in Third Quarter

Mexican state oil company Pemex reported a net loss of 87.4 billion pesos (\$4.43 billion) in the third quarter, hit by falling revenues, Reuters reported. However, Pemex said it had reduced its hefty debt load, which at the end of last year amounted to \$106 billion. The company has been under intense pressure from credit agencies over its debt burden. Earlier this year, Fitch downgraded Pemex’s bond to so-called junk status. If Moody’s or S&P were to assign Pemex a junk designation, it would trigger forced-selling of Pemex bonds worth billions of dollars, according to the report. However, the company said that since the start of the year it had cut back on its financial debt by 6.1 percent to \$99.6 billion. “For the first time in over a decade, the company’s net debt was reduced,” Pemex CFO Alberto Velázquez told investors Monday, Reuters reported. He also said that market operations in September to refinance more than \$20 billion in liabilities had been key to achieving this. Still, Pemex’s revenues dropped 20 percent to 350 billion pesos in the third quarter sequentially.

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lines that parallel income distribution, and Fernández will have to govern a polarized society. Attention now turns to the transition period, and the coming weeks will be key in determining the situation he inherits. Both Macri and the president-elect are sending signals that they will work toward an orderly transition: the two had breakfast together following the election, and Fernández has named a transition committee to begin addressing the country’s most pressing economic challenges. Fernández will need to make a series of quick decisions upon taking office about how to address several issues: a social emergency, debt renegotiations, the continuation of currency controls and an approach to fighting inflation. He has given few concrete details about his approach to these issues, although he has suggested he would try to reach a social pact between businesses and unions to set wage increases and also seek to promote exports from key sectors, such as Vaca Muerta. He will face constraints on all sides: the smaller-than-predicted margin indicates that Fernández will need to negotiate in Congress with a strengthened opposition, more leftist actors within his alliance will oppose potential austerity measures and economic realities will put limits on his ability to address divergent demands. The question remains what compromises he will be willing and able to make.”

**A Bruno Binetti, nonresident research fellow at the Inter-American Dialogue:** “Fernández will have little time to celebrate his victory. He must quickly put together a cabinet that reflects the diversity within his coalition—which includes Peronist factions of diverse ideological orientations—but also reassure financial markets and investors by presenting a realistic plan to tackle Argentina’s many economic challenges. The president-elect has promised to reverse Macri’s austerity measures and restore growth, but he will have very limited space

for expansionary policies given the large public deficit, unsustainable levels of foreign debt and high inflation he will inherit. The president-elect also faces a daunting political environment. He failed to win an outright majority in Congress, which will force him to negotiate for every bill. The IMF will continue to supervise Argentina’s economy and will push for austerity, complicating Fernández’s relations with the left flank of his coalition. And Fernández must also deal with Cristina Kirchner, the most powerful vice president in the country’s history, who will likely have veto power over the president’s cabinet picks and policies. Further, Macri’s surprisingly strong performance means that if he manages to keep his Cambiemos coalition together, he could lead a relatively united opposition. Given these mounting challenges, Fernández will try to contain social expectations, emphasize the gravity of the economic inheritance he is getting from Macri and hope for a moderate recovery in time for the 2021 midterm elections. In the meantime, he must build a power base of his own and prove that he is actually in charge.”

**A Agustín Crivelli, economist at the Scalabrini Ortiz Center for Economic and Social Studies:** “When evaluating the factors that led Alberto Fernández to be elected president, we must highlight the role of Cristina Fernández de Kirchner, who designed the new power scheme with Alberto as the apex of the Peronism unit and thus achieved to transfer her votes. Moreover, Cambiemos’ management of economic and social matters is undoubtedly another of the central explanatory factors. The rise in inflation and the fall in employment, with the return to hyper-indebtedness with the International Monetary Fund and the exchange run that ended up driving the price increase, was an explosive combination. Last but not least, the categorical triumph of Axel Kicillof for governor of Buenos Aires province was decisive. In his speech yesterday, as well as

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throughout the electoral campaign, Kicillof publicly denounced the delicate situation in which Governor María Eugenia Vidal will leave Buenos Aires: a heavily indebted province that during the next administration will have expirations that call into question its ability to pay for the needs brought on by the social crisis. Argentina has entered into a classic debt crisis, so that the central dispute is who pays the bills: the exporters, who are the natural suppliers of foreign exchange; the bondholders, solving depreciation of their financial assets; and/or the IMF, assuming the irresponsibility of having sustained a government without a program and with no goal other than winning an election. Alberto Fernández's presidency will be framed within a South America where conservative, free-market projects begin to enter into a crisis. When he takes office, he will launch a stabilization plan that seeks to bring order to the economy's main variables (exchange rate, interest rate and prices), based on a re-composition of the population's income and the relaunching of domestic production and consumption. Only then would he be able to focus on a reordering of the external sector and its inherent problems."

**A** Benjamin Gedan, senior advisor to the Latin America program and director of the Argentina project at the Woodrow Wilson

**Center:** "Alberto Fernández fought hard for the presidency after former President Cristina Fernández de Kirchner anointed him savior of a divided Peronism. He may soon have buyer's remorse. Governing Argentina is perhaps the worst leadership job on earth. Fernández will inherit rising double-digit inflation, a deep recession, vanishing dollar reserves, a devalued currency and a

metastasizing debt crisis. The International Monetary Fund has suspended payments on its \$56 billion bailout. President Mauricio Macri has helped his rival by doing much of the dirty work of adopting unpopular emergency measures, including draconian capital

“Governing Argentina is perhaps the worst leadership job on earth.”

— Benjamin Gedan

controls and stratospheric interest rates. Fernández will also have the opportunity to blame Macri for the country's economic ruin. But that will not last long, and he will soon face enormous pressure to deliver. The mythology of Argentina's Peronists is that their system of patronage has unions and social movements eating out of their hands. That's true only when they are giving handouts. In this case, Fernández will find the cupboards bare, even as supporters clamor for stimulus spending to boost wages and increase public employment. Initially, political appointments will help retain good will. But radical allies have warned he'll have a short leash and threatened disruptive street protests. It will be hard enough to satisfy members of his own coalition but winning over investors and the IMF might be even tougher. The international community fell head over heels for Macri, but as the chaos of default and resurgent populism become clearer, outsiders will be reluctant to return."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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