



## Argentina on Kirchner's Time

By Mark Falcoff

*Since its financial crisis six years ago, Argentina has faded somewhat from the headlines. This is no doubt due in large part to the disproportionate space our media outlets now devote to Iraq and Iran, but also to the fact that other Latin American news stories—particularly Fidel Castro's surgery and the antics of Venezuela's clownish president Hugo Chávez—have dominated coverage of the area. Argentina is not, however, a negligent regional actor.*

Argentina represents the second or third largest economy in South America (depending on how one estimates such things), with strong cultural and family links to Latin Europe. Its capital, Buenos Aires, is a major educational, media, and publishing center for the Spanish language, as well as a destination for immigrants from Bolivia, Paraguay, and Peru. Argentina is also one of the pillars of Mercosur, an emerging trade bloc which (for all its problems) represents a significant force in Latin American diplomacy.

Perhaps the most underreported Latin American news story in recent years has been the long-term impact of the country's economic collapse in 2001. Although Argentina has experienced a number of crises and devaluations over the years, this one was without precedent in severity and human consequences. Someone who lived through it recently told me that it was the emotional equivalent of a neutron bomb: overnight the currency lost two-thirds of its value, and what is more, banks were closed so that ordinary Argentines could not access their funds. Supermarkets and neighborhood groceries were sacked. Several provinces with independent economic resources of their own seriously considered—for the first time in more than 150 years—leaving the Argentine federation altogether. Hospitals recorded a record number of fatalities due to heart

attacks. Thousands of Argentines whose grandparents or great-grandparents had once emigrated from Spain or Italy formed long lines outside the consulates of those countries in an effort to return to their ancestral homes. President Fernando de la Rúa was forced to resign after hardly eighteen months in office, and—as if to symbolize popular discontent with the country's political institutions—parts of the majestic Congress building in downtown Buenos Aires were torched.

### Economic Recovery

Over the last five years, Argentina has experienced a significant economic recovery, partly due to a drastic devaluation of the currency by two-thirds, but also to the government's decision to cease paying its foreign debt of some \$140 billion, the biggest sovereign default in history. (It has since renegotiated most, but not all, of its foreign obligations.) The currency devaluation suddenly made Argentina's exports highly competitive in the world market and created an entirely new tourist industry. But by great good fortune it also coincided with a sudden upsurge in Chinese demand for soy, a product Argentina, with its fertile soil and favorable climate, is well situated to produce. At the same time, Venezuela's Chávez stepped forward to buy up \$5 billion in Argentine debt paper, releasing the country from obligations to the International Monetary Fund (IMF).

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Unemployment has subsequently dropped from 25 to 9 percent, and the country now boasts \$35 billion in reserves, the largest amount in its entire history.

Even so, recovery is not complete, and some indicators give reason for concern. Partly because of its refusal to settle with its remaining foreign creditors, the country now accounts for a mere 3 percent of new foreign investment in Latin America, compared to its normal 15 percent share. As it is, capital stocks are deteriorating; the country is basically surviving on resources put in place during the previous decade. Price controls have brought about a return of inflation, though exactly by how much no one can say for sure, since the director of Argentina's National Statistical Institute was forced out for producing figures not to the liking of the administration. The government may be purposely undervaluing the peso to promote exports and erect a wall against cheap imports, as well as to subsidize the flourishing tourist industry. Some estimates place as much as 40 percent of the labor force in the black economy. The general public mood is one of satisfaction with the present—certainly compared to the recent past—but also mild apprehension, as nobody is certain what the future will bring. Any change in world interest rates, grain prices, or the political situation in Venezuela, now Argentina's number one ally and financial supporter, could push the numbers in the wrong direction.

## The New Power Couple

Perhaps even more surprising than the country's modest recovery has been the return of politics more or less as usual. In 2001, the most frequently heard cry in the streets was "Out with all politicians!" Present and former officeholders were the object of harassment and even violence when they appeared on the streets or in restaurants. Today President Néstor Kirchner, who took office in 2003, has higher approval ratings than any chief executive in Latin America (and more than twice those of President George W. Bush), and is poised for a triumphant reelection later this year. More to the point, he is in the process of transforming the Peronist Party into an instrument of his own, aided and accompanied by his ambitious and politically powerful wife, Cristina.

The temptation to compare Kirchner and his wife to Bill and Hillary Clinton is irresistible—the Kirchners themselves do not disdain the comparison—and there are, in fact, some similarities. When interim president Eduardo Duhalde tapped Kirchner as his successor in 2002, Kirchner was a relatively unknown politician serving as governor of Santa Cruz, a remote province in windy Patagonia. Cristina, who previously represented Santa Cruz in the Senate, decided to switch constituencies to one more politically relevant. She now sits in the upper house of the Argentine Congress for the Province of Buenos Aires, the country's largest and most important, a kind of New York State and American Midwest all in one. Moreover, Señora Kirchner is known to harbor presidential aspirations of her own, and, like Hillary Clinton, she has her own fanatical following.

There are, however, some crucial differences. Unlike Bill Clinton, Kirchner is not particularly charming or charismatic. One wit has remarked that the Argentine president has accomplished the impossible: he has created a cult of personality with no personality at all. His home province is also unlike Arkansas. Santa Cruz has a mere 120,000 residents, but is blessed with huge amounts of oil and gas, of which Kirchner made uninhibited use during his mandate there. In contrast to the U.S. Constitution, the Argentine charter of 1994 makes it possible for the Kirchners—if their popularity endures—to theoretically rule the country for the rest of their lives either by taking turns in four-year terms or by succeeding each other for eight years at a time.

The most important difference, however, is this: whereas the Clintons are firm and loyal Democrats, Kirchner—though formally a member of the Peronist Party—seems intent upon creating a movement in his own image and likeness. Very much in the same fashion as the late General Juan Perón himself in the 1940s, Kirchner has used government resources and the sense of inevitability to recruit supporters from across the political spectrum, pushing (again, as in the 1940s) all his opponents together in a heterogeneous alliance held together only by their opposition to him. Thus Roberto Lavagna, Kirchner's former finance minister and the man generally credited with pulling the country out of its 2001 crisis, will probably be the leading opponent on the ballot, supported by Radicals (the party of de la

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Rúa and former president Raúl Alfonsín), dissident Peronists (including Kirchner's one-time patron, former president Duhalde, and much of Duhalde's following), as well as a heterogeneous band of conservatives (who are called liberals in Argentina). Under the country's complicated system of *ballotage*, the victor requires only 40 percent of the vote (provided he maintains a spread of ten points above his next competitor), but at this point it seems inevitable that Kirchner will win hands-down in the first round.

### Taking Cues from Venezuela

The crisis of 2001 has not merely brought to the forefront a formerly obscure politician from a backwater province, but it has also inaugurated a new national mood which might broadly be subsumed under the term "revisionist." Whereas for generations the country aspired to be accepted as European, or at any rate, at least an honorary member of the First World, it has suddenly discovered its Latin American identity. Pictures of Ché Guevara are for sale on every newsstand (although many young Argentines appear to be unsure who he is) and historic figures associated with the country's expansion beyond the borders of old Indian settlements are now represented as genocidal maniacs. (A beautiful statue in downtown Buenos Aires of General Julio Roca—a kind of Argentine combination of Andrew Jackson, General George Custer, and Theodore Roosevelt—has been horribly defaced.) There is an emerging animal-rights movement (this, in a country whose principal products include leather, furs, and wool). Polls reveals that Fidel Castro is the country's most admired foreign personality and Hugo Chávez the most admired Latin American president, followed by Kirchner. Although it forged a reflexive alignment with the United States in the 1990s—a momentary effort by President Carlos Menem to jump on the victor's bandwagon after the end of the Cold War—Argentina today is the most anti-American country in the region. This has not prevented cooperation with Washington on a narrow band of vital issues—notably terrorism and money-laundering, although in those respects it is no different from many countries in the region and beyond that maintain an otherwise tense relationship with Washington.

To be sure, much of the new "Latin American" alignment has been promoted by a curious relationship with Venezuela's Chávez. One of the most interesting subjects of debate in Argentina today is who is using whom.

Without a doubt, Kirchner has found in Chávez a helpful ally who asks few questions and spreads money around with a disarming insouciance. This has allowed the Argentine president to thumb his nose at the hated IMF and resist pressures to reach a final settlement with his outstanding creditors. At the same time, Chávez is a useful foil: his outrageous public statements and grandiose threats against the United States amount to a gratifying exercise in political theater, and they pay political dividends at home at a low cost (among other things, they also help keep most of Argentina's small but active left-wing community inside the Kirchner electoral tent.) For example, during President Bush's trip to neigh-

boring Brazil and Uruguay last month, Chávez appeared at a huge protest rally in Buenos Aires—which he also financed—and was introduced to an ecstatic crowd by Hebe de Bonafini, the vituperative president-founder of the Mothers of the Plaza de Mayo, a self-styled human-rights organization which has gone on to tackle other issues. Kirchner did not attend and would have us believe he had nothing whatsoever to do with the event itself. As for Chávez himself, presumably just the chance to bask once again in the adoration of foreign crowds was sufficient recompense.

It would be wrong to characterize Argentina, however, as falling within some sort of Venezuelan sphere of influence. Argentina is not—and never will be—Bolivia, much less Ecuador or Nicaragua. There is no doubt the Argentine president is running his own show—and running it well, according to his own lights. His style is authoritarian and opaque: he has never held a cabinet meeting, refuses to receive ambassadors, has purged the Supreme Court, makes uninhibited use of government money, taps telephones, and characterizes all forms of dissent or disagreement as illegitimate. Of the country's two great dailies, one is clearly an official organ of the government. Some journalists working for what remains of the independent media have received threats. Businessmen who contemplate contributing to the campaign funds of opponents find their taxes

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suddenly subject to an audit. Congress has ceased to play much of an active role in government, even though Kirchner's party has a majority in both houses. The president has access to huge amounts of off-budget money which he is using to build his own political machine. Some of this is not new, of course, but it is disturbing nonetheless in a country where democratic institutions have tended to be fragile and where corruption, cronyism, and patronage have been the principal tools of government. The issue here is not whether or not Kirchner remains president, but rather what kind of a country he will bequeath when he finally quits the scene.

### **Nothing All That New**

Argentina's history tends to be cyclical. For the past seventy years or so, the country has bobbed back and

forth between crises and recovery, each time convinced that it has finally found a formula for sustained prosperity. Elected governments and military dictatorships, Peronists and anti-Peronists, protectionists and free marketers have each taken their turn at the wheel, each enjoyed a moment of euphoria and mass support, each ultimately suffered discredit and collapse—with some recent presidents forced to depart the government palace by helicopter. Sooner or later the country will have to return to the capital markets and settle accounts with its remaining creditors if it wishes to sustain and improve its present recovery. In the meanwhile, Kirchner rides the high curve of a cycle. He can only hope that his own landing will be softer than that of all his predecessors.

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*AEI editorial associate Nicole Passan worked with the author to edit and produce this Latin American Outlook.*