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Argentina's Cristina Fernandez Works to Put Out Political, Economic Fires

by Guest
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One year after being elected with 45% of the vote, and 10 months after she took office, Argentine President Cristina Fernandez de Kirchner's image has fallen. Most economic and social indicators are favorable. However, a prolonged "lockout" by rural business people, whose campaign against the government has the support of the major media outlets, has produced so much disinformation in society and such a deterioration of the president's image that today the opposition plans to capitalize on it with an eye on the October 2009 legislative elections.

BBC Mundo has cited unidentified private surveys that show that the president's popularity has fallen to 25%. Against this backdrop, the government announced its willingness to pay the nation's debt with the Paris Club of lending nations and the bondholders with whom it did not reach an agreement in the 2005 debt swap (see NotiSur, 2005-02-04), some US$20 billion.

The press and much of the local establishment have tried to promote Vice President Julio Cobos as an alternative for change. Cobos was a little-known figure who sprang to prominence last July when he aligned himself with the agricultural producers and cast the deciding vote in Congress to defeat a government proposal increasing taxes on grain exports (see NotiSur, 2008-08-01).

The president accused soy growers and the communications media of carrying out a destabilization campaign, and they responded by raising Cobos to the fictitious stature of a popular leader. On Oct. 6, the agricultural producers began another "lockout" which consists of not exporting meat and grains but this time they were forced to end the measure after only five days. Although they still had the support of the media, they no longer had the support of the public.

The intervening four months of confrontation with the government left gaping wounds. Besides causing shortages of basic foods milk, fruits, and vegetables were thrown alongside the road it also caused a slight rise in inflation that the government has not been able to stop. Cobos again supported the producers, and the media again returned the favor.

Producers claim rising costs reduce profits
The earlier protest focused on opposition to the export-tax hike, a measure that the government adopted as a way to more equitably distribute income. The president said the money would go to build hospitals and schools, and fund road and infrastructure projects, but the business leaders and...
the press were able to convince society that it was part of a confiscatory policy. This new lockout dropped that claim and focused on others.

The Brazilian daily Folha de Sao Paulo quoted the president of the powerful Sociedad Rural Argentina (SRA) Hugo Biolcati who said, "The government cannot be unaware of the exacerbation of the situation caused by the increase in production costs and the drop in international prices for our commodities....That's why we're asking for approval of a plan that will ensure greater profits for us, that offers us help in buying machinery and inputs, and that grants us subsidies for producing milk and meat."

The Federacion Agraria Argentina (FAA), an organization of medium-sized producers, supports that position, but its president Eduardo Buzzi added another, as creative as that expressed by Biolcati, and together "profoundly irritating to the population," said the daily Pagina 12, the only newspaper that has taken pro-government positions. Buzzi asked for a devaluation in the exchange rate of about 15%.

BBC Mundo pointed out what most of the rest of the press did not: that the government has taken measures such as providing subsidies for the production of milk and meat, giving a tax refund to small producers, and providing other subsidies valued at US$8 million. The large soy producers, responding through the SRA, said, "That help is a joke."

**Decision to pay debt controversial**

When President Fernandez thought she had overcome the challenge of the landowners, she set out to tackle the major unresolved economic issues, "open fronts that raised yellow flags regarding financing for the coming years, above all with respect to the foreign-debt payments that will fall due," wrote Pagina 12.

The president closed the open front with the Paris Club by deciding to pay the country's outstanding debt with the group. She also announced having received offers from Barklays Capital, Citigroup Inc, and Deutsche AG banks, along with Credit Suisse, to come to an agreement with the majority of the bondholders who did not participate in the debt swap in 2005. The government estimates that the four banking entities would provide, together, some US$10 billion for the swap, which would mean a smaller percentage than that paid to the bondholders who accepted the deal in 2005.

The Economy Ministry estimated that before the end of the year the negotiations would produce results with the Paris Club and with the holders of the defaulted bonds. Nevertheless, as soon as news broke of the major US economic crisis, the government had to advise the Paris Club that it would have to wait until the situation became more clear and the markets became more calm.

According to Bloomberg news service, Argentina is offering its creditors "an opportunity to restructure the US$20 billion of debt that creditors held out of a 2005 settlement." The agency, which specializes in economic issues, said the new offer was better for Argentina, since the 2005 offer paid investors US$0.30 on the dollar, while now it is only offering a swap for a new bond, and, in addition, will require that investors provide cash to be able to participate in the deal.
Concerns of European investors regarding the Argentine economic situation have grown in light of the global financial crisis, mostly because the country continues to be excluded from the international capital markets because of this US$20 billion debt, wrote The Financial Times. The London daily wrote of Argentina's vulnerability to the drop in prices of its principal agricultural export products and said that "the country's exclusion from the capital markets increases its dependence on the domestic financial markets."

The newspaper said that, although the Argentine government insists that it will meet its financial obligations in 2009, investors evaluate a high risk of collapse for some emerging countries, among those mentioned were Argentina (in first place), Ukraine, Pakistan, and Iceland, "because their banking systems are under great pressure."

**Cobos becomes a hero in Miami**

After various failed attempts by the political right to put together a force capable of challenging the government, Cobos' willingness to stand next to the large-scale agricultural producers made those sectors think that perhaps they were witnessing the appearance of a new political figure with a certain substance to compete with the governing Partido Justicialista-peronista (PJ). "The rebel vice president of Argentina," El Nuevo Herald columnist Andres Oppenheimer called him, adding that Cobos is "one of the candidates with the greatest possibility to become Argentina's next president."

This opinion is not shared by local analysts. According to El Nuevo Herald, which recently invited Cobos to participate in its Conference of the Americas in Miami in early October, Cobos has formed a political movement, which he calls Consenso Federal, and has created a think tank to bring together the leadership of the opposition parties and draw up proposals.

The Argentine daily Clarin, one of the major promoters of the figure of Cobos, insisted that the vice president is preparing to participate with his own political party in the legislative elections. In the last two weeks of September, Fernandez de Kirchner traveled to the US to participate in the UN General Assembly and left her vice president in charge.

Cobos took advantage of that opportunity to engage in a frenzy of activity, meeting with everyone with whom the Fernandez administration has had no dialogue. First, he met with the mayor of Buenos Aires, Mauricio Macri, a powerful right-wing businessman with roots in the capital but with little national standing. Second, he met with Buzzi and Biolcati, the two leaders of the agriculture sector who led the demonstrations against the government.

And, finally, Cobos met with Cardinal Jorge Bergoglio, who, despite being the head of the influential Catholic Church, is one of the few important figures whom the president has not received. The local press speculates that these people could be Cobos' allies if he persists with the idea of challenging the power of the Peronist government.

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