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Kirchners Suffer Devastating Loss in Argentina's Midterm Elections

by LADB Staff

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Argentine President Cristina Fernandez de Kirchner suffered a devastating defeat in the June 28 legislative elections, losing the comfortable majority that she enjoyed in both houses of Congress, which had allowed her to govern without having to consult the opposition. In the two and a half years remaining in her term, she will have to seek consensus for any proposals she sends to Congress, a practice in which, to date, she has not been the best student.

Analysts and political commentators generally agree that the results were more a vote against the Fernandez administration than for the opposition, a vote "against a way of acting based on the arrogance of its majority and a systematic disregard for the opposition and all forms of dissent," said sociologist Hugo Haime. "Since finding consensus often means making concessions, Cristina Fernandez will undoubtedly have serious difficulties governing during the next 30 months, and, even if that were not the case, Argentina is certainly in store for a future laden with uncertainty."

The elections had the importance of any midterm elections, but the administration made the mistake of turning them into a plebiscite. "Us or chaos" was the slogan with which former President Nestor Kirchner (2003-2007), husband of President Fernandez, launched his campaign as first candidate for deputy in the strategic Buenos Aires province, the largest electoral district in the country (see NotiSur, 2009-06-25).

The opposition took advantage of this blunder, despite the governing party's attempt, after the initial phase of the campaign, to remove the element of confrontation from a contest that should have been merely a routine exercise to elect half the members of the Camara de Diputados and one-third of the senators.

Rightist businessman defeats Kirchner in Buenos Aires

With the support of major business interests and press outlets, the opposition mostly from the right defeated governing-party candidates in the five largest districts in the country and put in place, as its maximum standard bearers, two powerful businessmen whom Pagina 12 analyst Jose Natanson called "the best South American versions of Italian Silvio Berlusconi, that sinister European symbol of the alliance between business, communications media, and the excesses of the jet set." Natanson was referring to Francisco de Narvaez, winner in Buenos Aires province, and Mauricio Macri, head of the Buenos Aires city government.

Since Argentine political ambitions are cooked over a slow fire, with excessive preparation time, this election leaves Macri in a position to be the right's candidate for the presidency in 2011. Although Macri did not participate directly in the June 28 election, he is the founder and leader of Propuesta Republicana (PRO), the party that launched De Narvaez's candidacy and defeated Kirchner in a

district where the governing Partido Justicialista-peronista (PJ) had lost only once in its 64 years of existence.

De Narvaez, "the millionaire who defeated Kirchner," as the headline read on a June 29 Reuters dispatch, cannot run for president because he was born in Colombia. With a certain irony, the British news agency alluded to the businessman's limited public-speaking ability, mentioning that the "signature phrase" of his campaign was limited to the succinct "I have a plan," a plan that he never explained. Defeat has been a long time coming. The seeds of the government's electoral debacle were sown in March 2008, when the president sent Congress a bill establishing export taxes on soy and other grains, which producers considered "confiscatory," despite Fernandez's explanation that the resources would be used to expand a wealth-distribution plan by building schools, hospitals, low-cost housing, and basic infrastructure projects (see NotiSur, 2008-08-01).

Producers of soy an oleaginous product whose value at that time was on the rise in foreign markets and producing formidable earnings for growers confronted the government with a prolonged lockout that ended up causing serious food shortages. In their anti-government war, the producers had the backing of the major communications media and a fragmented opposition that saw in the confrontation the possibility of recovering something of its former vitality. In the legislative elections, agribusiness owners returned the favors and backed with economic resources and candidates the right that had supported them in the nearly four-month struggle against the government.

The day after the governing party's defeat, agencies connected to agriculture and industry the Mesa de Enlace, which unites entities from the agriculture sector, and the Union Industrial Argentina (UIA) began to demand that the opposition, through the legislature, end the export taxes and that the government reform the tax structure and set a "new course for monetary policy." Some asked whether this could mean a devaluation. Reflecting concerns regarding the new political map, The New York Times quoted "analysts" as saying that the governing party's electoral defeat would produce "an opportunity to restore some equilibrium to Argentine politics and to restore the government's credibility with foreign investors."

Bloomberg news agency quoted Barclays Pic and Bulltlick Capital Markets analysts who suggested that, with the electoral defeat, the government might attempt to put together an International Monetary Fund (IMF) agreement, something Fernandez has always denied, approve a reform of the tax regimen (including export taxes), and restructure the Instituto Nacional de Estadísticas y Censos (INDEC), the national statistics agency. INDEC has been accused of falsifying indices but has been staunchly defended by the government.

Bloomberg also warned that capital flight, which recent governments have been unable to control, would "likely continue to take place for as long as the world environment remains difficult." The daily Pagina 12, the only newspaper that has shown any sympathy toward the government, tried to explain and minimize the defeat, mentioning the background and achievements of the Fernandez and Kirchner administrations treating them if they were one and the same and referring to "some errors."

"It articulated appropriate policies, strengthened presidential power, made sovereign decisions, fiercely renegotiated the foreign debt, renovated the corrupt Corte Suprema de Justicia (CSJ) and the entire judicial branch, structured a human rights policy and ended impunity for those responsible for crimes against humanity," said Pagina 12. "In that transformation, the citizens supported it, re-electing it with increasing percentages in 2005 and 2007. This time the governing party erred in its discourse when it put those golden years under the spotlight of another presidential mandate (Kirchner's), attributing little to the Fernandez administration and proposing little for the future."

The newspaper added that the Fernandez administration "can be proud of its major achievement," the nationalization of savings that were in the hands of private pension funds (Administradoras de Fondos de Jubilaciones y Pensiones, AFJP), but added, "It's true that much of the animosity that has built up in the large financial groups 'damages' that success."

To the victors go the spoils

In the hours following the election that appears to have sealed the political fate of the Kirchners, it was not only the Mesa de Enlace and the UIA that began to claim their due from the victory. Shell, Esso, Repsol, and Petrobras, which had previously always set prices in agreement with the government, this time unilaterally raised fuel prices significantly (up to 6.7% for gasoline). Private medical facilities notified their patients that new bills would include 20%-30% increases, and private schools did the same. Insurance companies did not indicate how much their increases would be, although they let it be known that they would be more than 10%.

However, the major beneficiary of the elections is the daily Clarin, which lent its pages to the opposition, including leaking "news" and "dismissive" rumors, as a group of intellectuals close to the government calls them (monetary devaluation, confiscation of bank savings accounts, increases in retirement contributions applied to workers' salaries, electoral fraud, and others).

Only 24 hours after the elections, on Monday, June 29, Clarin received its first great return; its shares on the stock market went up 30.6%. On Tuesday, they fell 3.5%, but Wednesday went up another 15%, to then stabilize. Reuters said, "The strong volatility of shares of Grupo Clarin newspapers, magazines, telephone companies, radio stations, TV channels, IT services, news agencies, and even a monopoly on newsprint production meant that the stock-exchange authority would require explanations of any relevant event" that would explain the formidable increase in the value of its shares. The agency quoted an unidentified broker to explain the phenomenon. "The defeat of the government left the company better off," he said.

With that brief phrase, the broker shed light on why Grupo Clarin gave unlimited support to the right. With the loss of the governing party's majorities in Congress, it is practically impossible that a communications law will be passed, which, among other provisions that would affect Grupo Clarin, would end monopolies and the concentration of print, radio, and audiovisual media in the hands of one economic group.

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