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## **In Argentina, Macri's Victory in Midterm Elections Comes with Warnings**

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Maurico Macri's presidency, the first neoliberal administration to emerge in Argentina following the progressive period led by Néstor Kirchner (2003–2007) and Cristina Fernández de Kirchner (2007–2015), passed its first electoral test with a generous show of approval.

In the surprising endorsement Macri received in the elections—which he had called a referendum on his first two years—neo-liberals took control of Congress with victories in 14 of the 24 provincial seats and nearly 60% of the country's municipal governments. In all, they received more than 42% of the votes. If it had been a presidential election, Macri would have won without a runoff ([NotiSur, Dec. 4, 2015](#), and [Sept. 1, 2017](#)).

### ***Reforms proposed***

Before the elections, which were held Oct. 22, and during the first week of November—a month before those newly elected to Congress would be seated—Macri's Cambiemos (Let's Change) alliance had already advanced on the legislative agenda to impose a series reforms in the fields of labor, social services, and the judiciary by the end of the year. These reforms resembled those recently adopted in neighboring Brazil, among other countries ([NotiSur, Oct. 2, 2015](#) and [Sept. 1, 2017](#)).

The Macri administration also took advantage of this green light to impose some unpopular decisions: an increase in the price of fuel, gas, and electricity; privatization of some energy assets the state had recovered during the 12-year progressive period, setting up a new phase of indebtedness; and pressuring the most permeable judges in the questionable judicial system to jail members of the previous administration (notably former Vice President Amado Boudou and former Planning Minister Julio de Vido) without investigation or trial.

On election night, Macri announced that he would increase fuel prices by 12% on the following day (Monday, Oct. 23), a move that had become possible when the government and companies in the energy sector agreed to release prices. Another 10% increase—the fourth of the year—came 25 days later, adding up to a 40% total increase in fuel prices for 2017. Likewise, domestic gas prices increased by 58%, and electricity rates went up between 39% and 47% ([NotiSur, June 17, 2016](#)).

### ***Increased debt to sustain fiscal deficit***

Amid the euphoria of victory, Macri also confirmed that his administration would continue to increase the national debt to sustain the fiscal deficit. "It's something we can't do forever," he explained, "but as long as we cannot control the deficit, we are going to continue taking on debt."

According to the government's own experts, the increase in fuel costs alone will cause inflation to grow by 2.6% for the remainder of 2017. Altogether, the hike in fuel prices stemming from the agreement with the oil companies will result in an inflation rate of 22% for 2017, while worker salary increases were negotiated based on the official target of 17% inflation (July 21, 2017).

In the following days, the political jubilation and euphoria waned, and news arriving from abroad did not favor the government.

### *Problems emerge while Macri visited New York*

Macri flew to New York on Nov. 6 to meet with businessmen, including leaders of the Business Council for International Understanding. He also was there to receive the Council of the America's Gold Insigne award in recognition for his "transforming leadership" in the region.

"I came to this great city with the sole objective of promoting investments and of showing important businessmen that Argentina today is the best opportunity in the world for doing business," Macri told Argentine journalists gathered in the lobby of a Manhattan hotel.

Only hours later, Macri received two bits of bad news.

One was that Argentine Finance Minister Luis Caputo, a central figure in the president's meetings with US businessmen, had been accused of carrying out "opaque maneuvers," presumably for money laundering with at least two offshore companies based in British tax havens. The accusations came in reports by the International Consortium of Investigative Journalists (ICIJ), based on the so-called Paradise Papers and using numerous documents gathered by the German daily *Süddeutsche Zeitung*. The ICIJ and the German newspaper make up the same team that shook the world of finance with the Panama Papers in 2016. At that time, Macri, his father, two of his brothers, and a cousin, as well as Caputo and at least another five high-ranking members of the presidential staff, were implicated in fraudulent operations in Delaware, the Bahamas, Barbados, and the Caiman Islands. Argentine media close to the government reported on the details of the operations and the losers of the Oct. 22 elections took the opportunity to demand the resignations of Caputo and Energy Minister Juan José Aranguren, who was responsible for the decision to increase fuel prices and who also occupies a central place in the Paradise Papers investigation.

### *Coca-Cola threatens to pull investment*

American Coca-Cola delivered the other bit of bad news when it threatened to pull out of a \$1 billion investment project in Argentina if the government did not reverse one of the main provisions of its proposed tax reform. In his zeal to generate more income, Caputo drafted a bill that doubles domestic taxes on sugar-based carbonated drinks from 8% to 17%. The tax-reform project, which also covers beer, wine, and alcoholic beverages, drew opposition from the sectors that would be affected by tax's impact on regional economies (wine is an emblematic example).

Although criticism came from all sectors, most pressure came from Coca-Cola, which also threatened to stop using domestic supplies, meaning cane sugar and fruit juices.

The government did not justify the beverage tax increase by pointing to the health benefits it could yield. Since the measure is not part of the global campaign to prevent diabetes and obesity, the International Council of Beverage Associations chose not to answer questions on the proposal from the daily *Ámbito Financiero*.

Macri also suffered a setback in his categorical affirmation about assuming more debt. On Nov. 8, before he returned from New York City, Standard and Poor's (S&P) pointed out that the accelerated foreign debt generated by the government in its first 23 months in office had revived one of the

historic vectors of the cyclical crises in the Argentine economy. According to the risk management firm, Argentina—the most heavily indebted country in the world—is one of the five most vulnerable to changes in international financial conditions. That less-than-honorable group includes Turkey, Pakistan, Egypt, and Qatar, all countries on the verge of bankruptcy. According to the rating agency's analysts, the weakness of these economies "is due to their high degree on external financing." S&P warned that any change in monetary policy in major countries, if expressed through a sustained increase in their interest rates, could result in an abrupt closure of external financing.

Página 12, an Argentine daily that had access to a synthesis of the S&P report released by CNBC, the US cable financial channel, cited a document signed by Moritz Kraemer, the managing director and global chief rating officer for S&P Global Ratings Group, warning against an incipient process to increase interest rates by the US Federal Reserve, the European Central Bank, and the Bank of England, and the consequences those rate increases would have for Argentina. Kraemer said that those responsible for managing local debt reject the existence of the risks associated with the sustainability of their liabilities, and recalled that at the beginning of the year, as Macri now does, Caputo had dismissed criticisms about the pace of debt growth.

The government has the type of media protection that no previous administration had enjoyed since the return to democracy in 1983. Even so, it could not escape criticism of its actions. Take the administration's effort to put pressure on the judiciary: On Oct. 30, the prestigious jurist Eugenio Raúl Zaffaroni, a former Supreme Court justice and current member of the Inter-American Court of Human Rights, issued a strong, and widely reported, broadside at Macri.

"We live in a state with a totalitarian bent that has done away with the impartiality of wide sectors of the judicial power, which have submitted to mafia tactics, bringing us closer to a police state in which we are increasingly subjected to the arbitrary decision of the one in charge," Zaffaroni said.

He went on to denounce "a move toward revenge not seen since the fall of Juan Domingo Perón in 1955, saying, "We have political prisoners and the Supreme Court does nothing to prevent it. There was a cover-up of the 75-day disappearance and subsequent assassination of the craftsman Santiago Maldonado. The government threatens to review final sentences for crimes against humanity, and it persecutes independent justices. And finally, the government is attempting to expel independent judges while it blatantly tries to name its own judges, staunch supporters, something no administration has ever done."

And Zaffaroni warned, "The rule of law is falling apart for Argentines. The republic is rapidly collapsing. We are experiencing a moment of institutional regression."

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