



SPECIAL REPORT

“Argentina: From bipolarity to change”

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1. PRESIDENTIAL ELECTION

As is often the case, expectations and reality do not always go hand in hand. From the beginning of the electoral process until the concluding vote on October 25 –including the open primary simultaneous and mandatory elections (*PASO*) and several mid-term elections held in various districts– the possibility of Scioli coming out on top became the prevailing thought. The review of the available information carried out by analysts and even polls showed feasible positive outcomes based on statistical variability; “interpretations” that are mere guesswork as plausible as other potential scenarios, but which further raised the aforementioned expectations. All three presidential candidates and their entourages considered that the likelihood of Scioli winning the elections was quite high and a significant number of experts even expected a first-round victory. Ballot boxes proved them wrong.

Although Scioli had a lead of 3 points in the first round, the balance slowly shifted and now favors Macri. Polls have been confirming this impression, although the outcome of this process remains undoubtedly uncertain.

Confusion marked Scioli’s campaign during the first weeks following the the elections held in October, showing that several groups of the ruling coalition still had important differences of opinion. Aníbal Fernández, Kicilloff, Randazzo, Carta Abierta, Hebe Bonafini and the President herself seemed to be conducting a campaign focused on confusing voters in relation to the candidacy of Scioli. The last days of campaign should help the candidate narrow the focus, enhance his positioning as a candidate with an own profile and strengthening the effective advantage he achieved in the elections. Instead, Macri’s campaign managed to overcome similar hurdles in the final stretch, problems that he had been facing since the inception of the Cambiamos coalition.

The truth is that the second round will be held in a different political context. Regardless of who wins on November 22, the political landscape has undoubtedly changed. The *PASO* elections already hinted at this potential environment, specifically as regards the decline of Kirchnerism. Some of the provincial results had already provided significant signs to this effect. Kirchnerism –never truly supported in the Federal Capital, Santa Fe and Cordoba– was also defeated in Mendoza and, on October 25, even in Buenos Aires and Jujuy. Moreover, most of its own candidates did not achieve positive results in the *PASO* elections and had to leave office in favor of independent Peronist candidates supported by mainstream

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Kirchnerism. Thus, even before appointing the new President of Argentina on December 10, the political circumstances of the country have vastly changed. From a territorial point of view, Kirchnerism must withdraw to its original stronghold, Santa Cruz; its representation within the Peronist group in the chambers has significantly decreased and its share of power –regardless of which candidate wins the presidential elections– has been greatly weakened. A new political cycle begins.

This electoral process concludes with the end of the Kirchnerist era. It was a bottom-up phenomenon, that is, it began with the local elections –first the municipal elections and then the governor elections– even before most voters decided who they would vote for at the Presidential elections. Thus, small changes as regards votes –sometimes even marginal– contributed to the significant change that the country has experienced. Several municipal governments, various provinces and the representation in the legislative chambers have changed. The well-known trend of the geographical center of the country was confirmed –the most prosperous location in Argentina–, which does not widely support Kirchner; in the northwestern region Kirchnerism lost to other political options, Patagonia recorded a balanced result and the Kirchnerist coalition remained dominant in the northeastern area.

2. THE SECOND ROUND

The potential final outcome of the second round is still uncertain –beyond mere expectations-. It is still difficult to determine whether this upward electoral trend will continue or whether it will give way to a more balanced result. Were the former to occur, Macri would consolidate the advantage he currently has according to the polls. The latter possibility would imply a quite close voting in which the differences between both groups would be minimal.

The greatest niche both candidates can exploit to gain votes are Massa’s supporters. It is clear that the aforementioned votes do not belong to Massa, but inevitably –given the lack of direct information– analysts are looking for any signs from the former candidate and his colleague De la Sota in this respect. Moreover, Massa’s strategy in relation to his future role in national politics does not have to be in line with the grounds on which the people who previously supported him will base their votes on November 22. Additionally, there is a small niche of votes from other candidates, none of the above votes, etc., and then there are the voters who may change opinions between October and November. The final outcome will depend on all the aforementioned factors.

The truth is that regardless of who becomes the next president, many of the factors that shall mark the future of the country in the following two years have already been outlined.

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3. THE NEXT GOVERNMENT

None of the potential candidates will take office with a majority in Congress. The senate seems to favor Justicialism, but the most feasible scenario is that of a reconfiguration of the political alliances and alignments which shall force the Executive branch to enhance its negotiating skills.

As regards congressmen, the *Frente para la Victoria* movement will not reach an absolute majority and therefore will need to seek specific or more stable agreements with third parties. To a greater extent, this is the situation that Cambieros needs to face. Thus, the decisive factor –also in Congress– will be the Frente Renovador headed by Massa; and this key position is likely to yield them significant power.

The conclusion is that, beyond the resulting uncertainty, the short-term context will probably encourage political alliances and a greater reliance of the Executive branch on the legislative chambers and, consequently, on provinces. This is one of the aspects in which the “end of a cycle” entails a change in the implemented approach: from a highly centralized Kirchnerism to a more balanced relationship between the national and provincial governments.

This environment may also become a potential source of tensions since, on one hand,

Argentina has experienced years of centralized managements and, on the other, the current context of political balances –enhanced by the preferences shown by the public opinion– calls for a greater federal balance.

So far, considering the statements conveyed by the candidates and their main colleagues, their political programs do not greatly differ. There are no fundamental ideological debates between Scioli and Macri. The main discrepancies between both candidates in relation to short-term public policies are of economic, institutional, social and educational nature.

From an economic point of view, the greatest differences revolve around terms like “shock” versus “gradualism”; the nature of the real problems that the country has to face as well as the campaigns force them both to insist on these differences and also accept that there are unavoidable changes and elements that should not be modified at all. There seem to be no doubts about the need to reach an agreement with the holdouts, implement an effective inflation policy and significantly correct the issues affecting agricultural production and foreign trade.

In general, most political analysts agree on the institutional issues. Everybody insists on the need to ensure

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a greater independence of the legal system and none of the candidates suggest implementing thorough policies to adjust the national accounts. Statements implying that the Judiciary needs to be the authority responsible for the management of legal issues and not the Executive or Legislative branches cool off a relatively “hot” issue of the political future in the short-term.

As regards the social sphere, so far both political teams and unions seem to be eager to start the new presidential cycle to enhance the cooperation. Entrepreneurship will certainly foster this new approach.

4. PUBLIC OPINION

Public opinion has been characterized by a prudent and short-term approach in recent years. A society that is frustrated in many ways in relation to the realization of many of its aspirations, skeptical of the political leadership, does not have much faith on programmatic platforms, pre-established solutions and political messages and periodically needs to face the challenge of voicing its expectations in terms of votes. Trends analyses since 1983 show its high propensity to sudden changes of mood.

This factor can be illustrated through two examples. On one hand, the changes of heart, shifting with an unprecedented frequency from favorable expectations thanks to a

decisive role of the state to even more favorable expectations thanks to the market economy. And secondly, strongly dissociating the vote from the aforementioned realm of ideas, cyclically oscillating between candidates with a “providential” profile and cautious and pragmatic candidates.

The political cycles in these thirty-three years have been short; in fact, Kirchnerism has been the longest era –twelve years– even surpassing the Menem period –ten years–. Democratic stability was also marked by common situations among unstable regimes such as sudden changes of government. And these sharp turns in the political preferences between each cycle have been the prevailing trend. From Alfonsín to Menem, from the latter to De la Rúa, followed by the unstable period until the end of the Duhalde interregnum and now society faces the end of the Kirchner time. It seems as if this call for a political change is more important than the demand for major changes in relation to public policies.

5. THE FUTURE AND ENTREPRENEURS IN THE NEW CONTEXT

The future in the medium and long term cannot be covered in these brief reflections. Considering the past results of Argentina in any global ranking, the performance of our country in the last 75 or 85 years –depending on the period we want to analyze– is one of the

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worst worldwide. The authors of this paper are inclined to think that a reversal of these trends, in addition to efficient governments and sound public policy decisions in relation to both the legislative and the executive spheres, will require high public expectations which must translate into strong political demands. In other words, the future does not only depend on political leaders but also –partially– on society itself.

In this context, the business sector is paying close attention to the electoral outcome. We can presume that this sector will feel more comfortable with a potential government headed by Daniel Scioli due to his predictability, focus on macroeconomics and the “right change” as regards behavior (reprehensible and questionable so far). This being said, a government led by Mauricio Macri would imply a new game, facing a different player who already knows the business sphere (by action or omission) and who –above everything– has more objections in relation to the sector. He has a more critical stance on the role played by entrepreneurs over the last years and considers them to be part of the now ending public/private relationship and with a few exceptions (one of which joined the *Fundación Pensar*) thinks that the rest are not completely trusted.

A Cambiemos government would, at least a priori, translate into new rules, less exceptions and greater equality. This also

unsettles the business sector which, beyond applauding the former president of Boca Jr. during the last IDEA conference, knows that short-term measures will have a direct impact on every single sector. We can infer from the names of the economic team and the issues handled during the campaign –the creation of genuine work and the development of regional economies– that they will be part of the government’s structure.

Since 1984 the social value placed on social groups varies according to a marked difference: representatives or makers. Trade unionist, social and political movements are criticized by the public opinion. Instead, teachers, farmers and manufacturers –to mention a few of the leading groups– are positively evaluated.

The harmony between the evaluation and the focus that a potential government of Cambiemos may place on the creation of jobs is an opportunity for the new cycle. It would not be very different from an administration headed by Scioli, whose roots are also close to the business sector (since he arrived to the political arena as an outsider).

Makers or generators, entrepreneurs know that the time for change has arrived and the new framework should establish clear rules. Duties and obligations that need to be defined once again, since the scope of the current trend will involve everyone.

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