

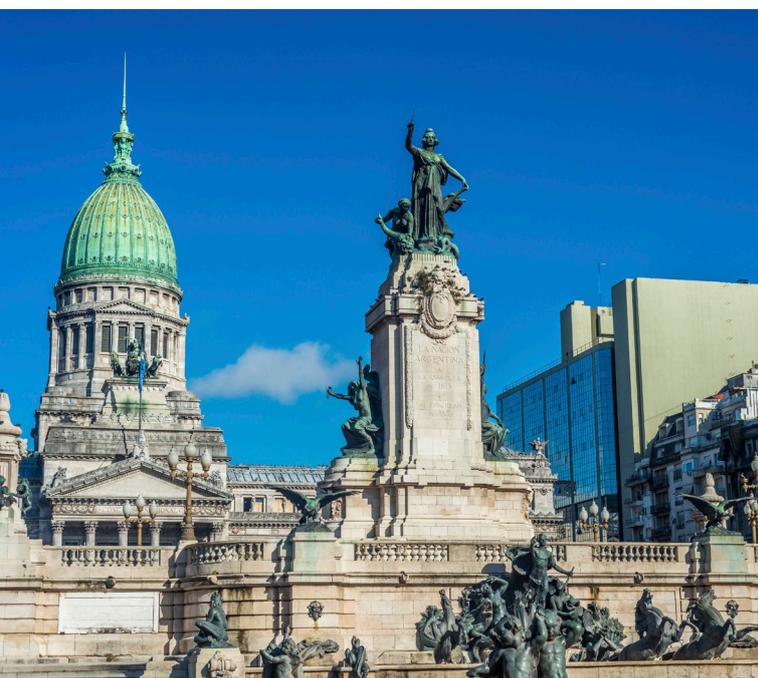
» First 100 Days of Mauricio Macri's Presidency

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The first 100 days of any presidency are very symbolic both because they set the course -at least the initial course- of the government's efforts and because they begin to leave a mark on the relationship with citizens. During the electoral campaign, Mauricio Macri focused his efforts on positioning himself as the candidate who would implement deep changes compared to his predecessor Cristina Fernández de Kirchner. Since December 10, he has reinforced that intent by implementing measures aimed at restoring the economy, with some difficulties, as well as the nation's institutional nature, leaving behind 12 years of populist policies.

In Casa Rosada, there is talk of "getting back to normal" in terms of how Argentina is viewed from the outside and from within. In short, this entails releasing the economy from state controls and extreme interventionism, lowering inflation levels to rates similar to those of nearby countries, reformulating the agenda of international alliances and relations, and organizing the macroeconomy.

It is a task that President Macri must undertake in a context in which the political margin is not as wide as the one that Cristina Kirchner and her husband experienced. On the one hand, Congress is far from being dominated by the ruling party.



Kirchnerism is the first minority in the Chamber of Deputies and holds the majority in the Senate. On the other hand, the international value of Argentina's main exports has hit rock bottom. Néstor Kirchner, in turn, had inherited the adjustments made by Eduardo Duhalde's government after the serious 2001 crisis, and he began his term of office with fiscal and commercial surpluses.

PARES INTER PARES?

In order to establish a parameter between other presidents who began their term of office (with a different government than the one that preceded them), there was a constant balance between communication and politics (beyond the weight of one over the other). When Carlos Menem spoke before Parliament in the inauguration of the first ordinary sessions of his presidency, he had been in office nearly 300 days due to the early departure of Raúl Alfonsín. For a little over an hour, Menem made little reference to what he had inherited. He acknowledged the efforts made during the first few months and described his plan to reform the government through privatization. This included "improving the rules for competition, optimizing public expenditures in social and educational matters, modernizing employment legislation, and anything that would thoroughly transform the government and the nation."

Despite his parliamentary past, De la Rúa made a shorter speech, and the inaugural session included few specific announcements and a lot of general appreciations. This would be a sign of what was to come, and no one dared question it because change was a priority.

Since democracy was reinstated in 1983, the assessment of governments has oscillated. In general, there have been short cycles that have swayed from initial love (always within the first 100 days) to rejection, and from high approval ratings to endless disenchantment. This is another major challenge for Macri. The first months of his term of office are coming to an end with positive social acceptance in a society that is prone to volatile mood swings.

KEYS

Another constant theme has been the lack of agreement between the government's agenda and society's agenda. During their first days in office, presidents stick to the agenda that led them to victory. Society seems to be more dynamic and demand changes when it believes that a problem for which power was delegated in the new president has been resolved. At the time, Alfonsín understood that the demand consisted of reestablishing an institutional reorganization, but he was unable to address the issue of inflation. Menem became president with the aim of putting a stop to this calamity, but he succumbed to unemployment. This also happened to De la Rúa. Kirchner seemed to put up a fight, but was trapped by insecurity. Cristina

Fernández took office with the goal of establishing a greater institutional nature to her predecessor's government, but the attempt failed because of the need for change due to recession and corruption. Macri begins his term of office with the challenge of altering recent trends.

Shock or gradualism, and more communication to the detriment of politics, are some of the questions that must be answered after this honeymoon period that all presidents experience their first days in office.

These are some of the keys to the first 100 days of Macri's presidency:

1 Financial normalization. The elimination of currency exchange controls is perhaps the only specific shock measure that has been implemented by the new government so far. Suddenly eliminating exchange restrictions and unifying exchange rates seemed to be a daring move with an uncertain future, but it has turned out to be a resounding success. The exchange rate did not run wild and a spectacular currency flight did not occur. Since then, and up until the last day in February, the deregulated exchange rates have led to a nearly 60 % increment in the value of the dollar compared to the artificial official value that had been maintained by Kirchnerism, but an increase of slightly less than 10 % compared to the values in the parallel market. The quick elimination of exchange rate restrictions was a measure that gave a tremendous amount of political capital to the new economic team.

2 The fight against inflation and the fiscal deficit. The measures for lowering inflation and cutting the fiscal deficit will be the two long-term tasks that Macri's government must face during the four-year term of office. The internal debate on how to face these challenges was won by the "gradualists" to such a degree that it had already been assumed that reaching annual inflation rates close to 5 % and approaching fiscal balance would probably require Mauricio Macri's entire term. In the first two months of 2016, the inflation rate in Argentina was more than 10 %, so a difficult year is expected with this matter.

The scenario is intertwined by logical economic pressure and particularly by political pressure. Gradualism can extend the duration of this mediocre scenario far too long in terms of economic growth, and Argentina must emerge from a phase of virtual stagflation. However, for a government that no longer holds parliamentary majorities, nor does it dominate the streets or the unions, choosing the path of shock could have undesired consequences in terms of social conflict and political resistance.

Macri's government must ratify titles in the 2017 mid-term election, and above all, it must ratify the overwhelming and unexpected electoral victory in the strategic province of Buenos Aires, which represents 40 % of the nation's voters. Winning the legislative election is crucial in order to guarantee the project's continuity through 2019 as well as to keep the two Peronisms in check: the classic one and Kirchnerism.

3 Emerging from the default. 14 years after defaulting, Argentina is close to definitively fixing this problem. Resolving the unpaid debt has been another priority for the existing government from day one.

A reasonable offer, especially in the eyes of the U.S. Courts, seems to mark the end of the road. The agreement is expected to allow Argentina to return to international debt markets. This supposedly represents the concrete possibility of obtaining financing funds and making the aforementioned gradualist plan tolerable. The funds obtained from the capital market will help finance the deficit without resorting to funds from the Central Bank (which will create additional inflation) or to a draconian adjustment. However, it is also an opportunity for the provinces and especially for the private sector because they can aspire to obtain financing at reasonable rates in order to finance the expansion of activity.

“Macri may run the risk of having to settle for the effort of fixing what is broken”

4 High politics: tactical alliances with the opposition. The relationships with the forces in Congress are not completely favorable for the ruling party (Cambios). The good news for Macri's government and its allies is that the Peronist block is divided, so the degree to which Kirchnerism can cause damage is lower. Those cracks are being worked on.

The first test will be the package of legislative proposals that the government will submit to revoke laws that block payments to holdouts and to approve the economic offer made by the government in order to finish paying all the defaulted debt once and for all. Opposition senators, or at least most of them, seem to be willing to support the official project because by getting out of default, several

provinces will be able to obtain debt in order to finance their own needs.

The dilemma faced by Peronist legislators and governors is simple: how can they allow Macri to form a government without that support ending in a decisive aid for the electoral aspirations of Cambios and Macri in 2017 and 2019. In the short term, the needs of the provinces will require governors to maintain good relations with the National Executive Power.

Macri forged what seems to be a good relationship with another key player who should be closely followed: Sergio Massa, leader of the Frente Renovador, leader of the Frente Federal-UNA blocks. He is an ally and also a rival. Massa aims to differentiate himself from Kirchnerism with the idea of perhaps leading the renewal of Peronism. The 2017 election will also be key for his aspirations. His guiding principle, which can be summarized as "I support the good and criticize the bad," positions him as a politician of shifting allegiance who defines his steps on a daily basis. He also fights to remain undiluted while maintaining an equal distance from Peronism and the President.

5 Changing the way we speak to the world. Another drastic shift that Macri has applied since the start of his presidency is in the area of international relations. By this point in his term of office, he has already attended the Davos Forum (where he was one of the presidents who attracted the most attention) and hosted visits from the prime ministers of Italy and France. As the definitive recognition of his foreign policy, Macri will welcome in Buenos Aires the President of the United States, Barack Obama, who will travel to Argentina after his historic trip to Cuba.

In addition, Macri has explicitly stated his differences with Venezuela in light of the human rights situation in that nation. This marks a return to Western views following the focus that Kirchnerism gave to international alliances, in which priority was given to relations with enemies or adversaries of the United States, such as China, Iran, Russia, and Venezuela. This is the most notorious symbol of the system that Macri wants to leave far behind. On strictly economic terms, Macri aims to make progress with the long-awaited Mercosur-European Union commercial agreements that promote direct EU investments in Argentina.

6 Signs of authority. Appointing (pending parliamentary approval) two judges to the Supreme Court of Justice, removing civil servants from the previous government who intended to remain in their positions, taking certain measures by decree (simple or Required and Urgent), and dismantling state structures linked to Kirchnerism (such as the body that regulates the media system) are examples of how President Macri showed from the very beginning that he did not intend to be limited by what was inherited.

The negotiation skills of his representatives in Congress made it possible for these decisions to be ratified. This was proof that, for now, Cambios has negotiating tools that can pave the road in Parliament.

AS A CONCLUSION

Mauricio Macri's government faces challenges in terms of Argentina's historical split that result from the appearance of a party that did not originate from Peronism or Radicalism.

To understand the importance of this event, we must consider the following: the election was won by a party that did not exist in the 20th century, and it beat the largest electoral machine that has ever existed in all of Argentina's history. This is an enormous achievement.

Despite this, the 51 % of citizens who voted for Cambiemos were (and are) aware that it is very difficult to govern with Peronism as the opposition. However, the change that is taking place is defiant because it breaks old structures. The challenge of "governability" is a constant test in every step the President takes.

The commitment to gradualism can be understood by taking into consideration that the relations between forces, the latent social unrest, and the enormous economic imbalances inherited by the government require Macri to be patient.

On the other hand, Macri's presidency may run the risk of having to settle for the enormous effort of fixing what is broken. Lowering inflation and closing the gigantic fiscal gap leave little room for major ovations, at least from public opinion. This difficult task may not be very popular with voters. These four years could be spent establishing the foundation for the sustained growth that may be attainable in the next presidential term of office.

The problem is that campaign seasons are very demanding, making it difficult to convey long-term policies and focuses. Macri won on November 22, 2015, but by the end of this year he must begin thinking about the October 2017 election. Macri may have to roll up his sleeves for unattractive work. He must work on building a foundation, and although this is an ungrateful task in terms of social recognition, it is unavoidable and necessary.

Figure 1. Tables

PROJECTIONS FOR FISCAL DEFICIT CUTS IN % GDP	
2015	-8 %
2016	-6
2017	-3.25
2018	-1.75
2019	-0.25

Source: Ministry of Treasury and Public Finances

INFLATION PROJECTIONS	
2015	30
2016	20-25
2017	12-7
2018	8-12
2019	5

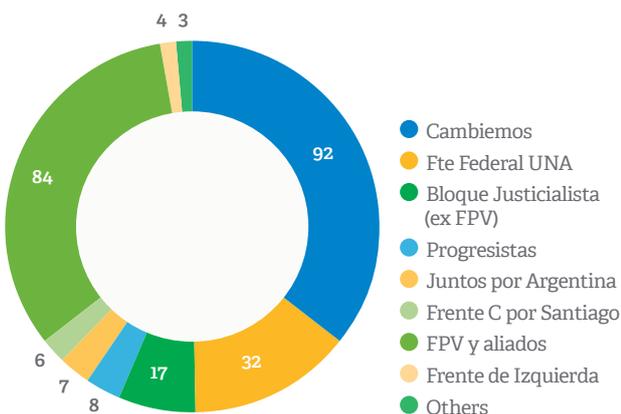
Source: Ministry of Treasury and Public Finances

PROJECTIONS FOR ECONOMIC GROWTH IN % GDP	
2015	-2 %
2016	0.5/1
2017	4.5
2018	4.5
2019	4.5

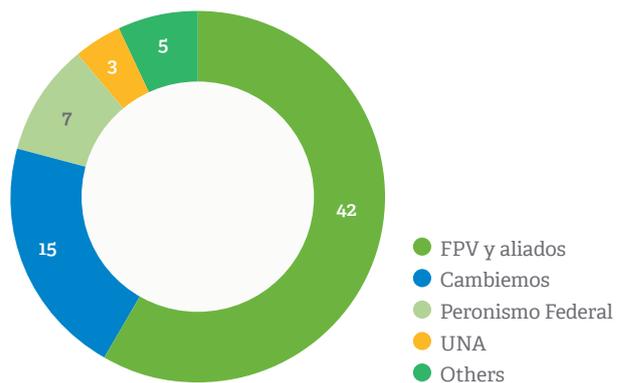
Source: Ministry of Treasury and Public Finances

Figure 2. Congress graphic

CHAMBER OF DEPUTIES	
Total members	257
Quorum	129



CHAMBER OF SENATORS	
Total members	72
Quorum	37





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