

# WebMemo



Published by The Heritage Foundation

No. 1678  
October 25, 2007

## Argentina: Implications for the U.S. If First Lady Cristina Fernandez de Kirchner Becomes President

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The expected ascension of Senator Cristina Fernandez de Kirchner to the Argentine presidency in the October 28 elections—succeeding her husband, Nestor Kirchner—is unlikely to improve relations between Argentina and the United States. Although her campaign pronouncements convey an image of moderation in foreign policy matters, Cristina Fernandez would most likely continue the leftward drift of Argentina and its cozy relationship with Venezuelan dictator-President Hugo Chávez. Chávez has sent billions of dollars of Venezuela's oil wealth to bail out Argentina's debts; Argentina's credit rating has yet to recover from the major default the government declared in 2002.

Barring an unexpected shift in Fernandez's thinking or tactics, there is little hope for the economic liberalization so desperately needed in the Argentine economy. Once the showcase of Latin America, the economy has fallen further and further behind as a result of bad policies. The Bush Administration, with few good options for direct engagement, will need to rely on building strong relations with Argentina's neighbors and other Latin American countries that are still resistant to Chavista populist appeal. As an important step, Congress should approve pending free trade agreements with Peru, Colombia, and Panama.

**Sailing to an Easy Win?** The buzz in South America is that Senator Fernandez will succeed her husband, Peronist and leftist Nestor Kirchner. According to the Buenos Aires newspaper *La Nacion*, nearly 40 percent of Argentines support Fernandez and her running mate, Julio Cobos, who

is Governor of Mendoza province. Her closest competitor, leftist Elisa Carrio of the Civic Coalition, is in second place with 10 percent. Former Minister of Economy Roberto Lavagna has garnered the support of only 8 percent of likely voters for his party, the *Una Nacio Avanzada* (UNA). Former Minister of Defense (and later, Economy) Ricardo Lopez Murphy, a University of Chicago-trained economist and the leader of the free-market-supporting *Recrear* party, clinched 16 percent of the vote in the 2003 presidential election.<sup>1</sup> This year, he created a new center-right coalition called *Republican Proposal* (PRO), but his second run for the presidency has attracted only 2 percent of support to date. The 22 percent of respondents who did not say which candidate would get their support on October 28 may diminish the predicted Fernandez runaway but are not likely to change the expected outcome.<sup>2</sup>

**Peronist Machine Dominates Electoral Process.** The general election in Argentina is a direct vote election with compulsory participation from Argentines between the ages of 18 and 70. If Fernandez receives a first-round vote of more than 45 percent (or 40 percent with the runner-up at least 10 percentage points behind her), then there will be no run-off, and Fernandez will win.

This paper, in its entirety, can be found at:  
[www.heritage.org/Research/LatinAmerica/wm1678.cfm](http://www.heritage.org/Research/LatinAmerica/wm1678.cfm)

Produced by the Center for International  
Trade and Economics (CITE)

Published by The Heritage Foundation  
214 Massachusetts Avenue, NE  
Washington, DC 20002-4999  
(202) 546-4400 • [heritage.org](http://heritage.org)

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The constitutional “reform” of 1994 concocted by the long-dominant Peronist Party under then-President Carlos Menem created a scheme whereby the ruling party is assured of about 35 percent of the votes and therefore is on the brink of winning from the start.<sup>3</sup> Tactics like these have allowed the Peronists to maintain a virtual stranglehold on political power since the days of the late dictator Juan Peron in the 1950s. Ricardo Lopez Murphy recently noted that, in the past 50 years, none of the handful of non-Peronists who have managed to become President has been permitted to complete a term of office.<sup>4</sup>

Senator Fernandez stresses her record of leadership as a legislator, but critics wonder how her parliamentary style will translate under the pressures of the presidency. Her insistence on being called “Cristina” represents a desire to seem like one of the masses and is a weak attempt to counter her designer wardrobe. The campaign portrays her as a pluralist and an internationalist; but when it comes to policy, Fernandez’s strategy has largely been to avoid taking clear stances and to postpone clarifications, presumably until after the elections. However, a Fernandez election would bring no radical departures from the policies of her husband, say sources, and would maintain an interventionist attitude toward the economy.<sup>5</sup>

**Nestor Will Remain Powerful.** President Nestor Kirchner came to power in 2003 with only 22 percent of the vote after his opponent backed out of the run-off.<sup>6</sup> In the years since, however, he has become the most powerful president since Juan Peron.<sup>7</sup> Kirchner inherited a massive international debt, a dismal credit rating, and his predecessor’s disdain for the International Monetary Fund (IMF). He was helped, however, by rising commodity prices that allowed him to avoid making the politically painful reforms needed for Argentina’s long-term prosperity. President Kirchner also gained popularity early in his term by reforming the Supreme Court, increasing wages for lowest earners, and firing off anti-IMF rhetoric, but that popularity was beginning to wane by 2005. Kirchner policies then seemed to morph into the Peronist party’s business-as-usual agenda of economic tightening, including the imposition of price controls.<sup>8</sup> Recently, however, he has seen his popularity rise again, thanks in large part to his partnership with Hugo Chávez.<sup>9</sup>

**The Chavista Factor.** Relations with the IMF, the Paris Club, and international commercial banks have been tenuous since Argentina defaulted on part of its external debt in 2002—at over USD\$125 billion, it remains the largest default in history.<sup>10</sup> Many individuals in Europe and elsewhere who had purchased Argentine government bonds lost their life

1. “Background Note: Argentina,” U.S. State Department, Bureau of Western Hemisphere Affairs, July 2007, at [www.state.gov/r/pa/ei/bgn/26516.htm](http://www.state.gov/r/pa/ei/bgn/26516.htm) (October 19, 2007).
2. “Cristina Kirchner aventaja por 28,1 puntos a Carrió,” *La Nacion*, September 30, 2007, at [www.lanacion.com.ar/948753](http://www.lanacion.com.ar/948753) (October 18, 2007).
3. Argentina: Country Profile, Economist Intelligence Unit, September 30, 1996, at [www.eiu.com/index.asp?layout=displayIssueArticle&issue\\_id=1932818593&article\\_id=192818619](http://www.eiu.com/index.asp?layout=displayIssueArticle&issue_id=1932818593&article_id=192818619) (October 18, 2007; subscription required).
4. Ricardo Lopez Murphy, Speech Before Fifth International Economics Convention, University of the Applied Sciences, Lima, Peru, October 13, 2007 (from author’s notes).
5. “Argentina Economy: Kirchner’s Fix,” Economist Intelligence Unit, October 18, 2007, at [www.viewswire.com/index.asp?layout=VWArticleVW3&article\\_id=212683406&rf=0](http://www.viewswire.com/index.asp?layout=VWArticleVW3&article_id=212683406&rf=0) (October 25, 2007).
6. Elliott Gotkine, “Argentine Revival Marks Kirchner First Year,” BBC News, May 25, 2004, at <http://news.bbc.co.uk/2/hi/americas/3746379.stm> (October 18, 2007).
7. “Background Note: Argentina,” U.S. State Department, Bureau of Western Hemisphere Affairs, July 2007, at [www.state.gov/r/pa/ei/bgn/26516.htm](http://www.state.gov/r/pa/ei/bgn/26516.htm) (October 19, 2007).
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10. Argentina: Country Commerce, Economist Intelligence Unit, June 2002, at [www.eiu.com/report\\_dl.asp?issue\\_id=1895466789&mode=pdf](http://www.eiu.com/report_dl.asp?issue_id=1895466789&mode=pdf) (October 19, 2007; subscription required).

savings. In response, Kirchner turned to Cuba and oil-rich Venezuela for help, forming a strategic alliance through which Argentina could easily access credit and cheaper oil.<sup>11</sup> In January 2006, Argentina paid off its entire \$9.5 billion debt to the IMF in one fell swoop. Many observers say that Hugo Chávez had a hand in the transaction.<sup>12</sup> Kirchner has been seeking permission to restructure the \$6.3 billion debt it owes to the Paris Club, representing loans from foreign governments, without going through the IMF.<sup>13</sup> As of March 2007, Kirchner was steadfastly holding to his refusal to have the restructuring conditioned by the IMF, but murmurs from inside the Argentine government suggest a willingness to reestablish negotiations when Dominique Strauss-Kahn succeeds Spaniard Rodrigo de Rato as Managing Director of the IMF in November 2007.<sup>14</sup>

Barring a substantial increase in international support, Argentina's reliance on Chávez is unlikely to diminish. Successful talks with the Paris Club and the IMF, however, could gain Fernandez some ability to distance herself from Chávez. There are clues that Fernandez is open to maintaining ties with Chávez, but at a speech in Caracas she displayed a willingness to openly disagree with him. In what may have been a knock on the Venezuelan leader, Fernandez said, "Each and every one of us who has the responsibility of being part of an elected institution in Latin America should not only raise our voices but act in a concrete way against any sign or glimpse of anti-Semitism."<sup>15</sup> Buenos Aires has the largest population of Jews of any city in South America.<sup>16</sup>

**What the United States Should Do.** U.S. policymakers should do the following:

- The Bush Administration should continue efforts to improve U.S. relations with countries that surround Venezuela and Argentina, while making it clear that the United States is willing to work constructively with those two countries if they renounce their anti-U.S. rhetoric and behavior.
- The Bush Administration should begin negotiations for new free trade agreements with Brazil, Uruguay, and Paraguay and should continue to pressure leaders in Bolivia and Ecuador to back away from the destructive policies of Hugo Chávez.
- Congress should quickly approve the three pending trade promotion agreements with Panama, Peru, and Colombia.

**Conclusion.** If she becomes president of Argentina, as expected, Senator Fernandez is unlikely to mend relations with the United States. Given the biased electoral process, the likely influence of her husband in a Fernandez administration, and the lack of policy specifics in her campaign, Cristina Fernandez will likely continue Argentina's dependence on socialist Venezuela rather than embrace free market reforms.

The Bush Administration should build strong relations with other Latin American countries, first and foremost by urging Congress to approve pending trade promotion agreements with Peru, Colombia, and Panama.

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