

## Political Climate Report - ARGENTINA

August 31, 2011

### A victory that assures reelection

President Cristina Fernández de Kirchner (CFK) won with a landslide victory in the open and mandatory primary elections on August 14. According to the definitive results published on August 30, CFK received 50.24 percent of the vote, a difference of more than 38 points with the second place runner-up, Ricardo Alfonsín (*Unión para el Desarrollo Social, UDESOS*), who gained 12.20 percent of the vote. Former President Eduardo Duhalde (*Unión Popular*) received 12.12 percent of the vote, and socialist Governor of Santa Fe Hermes Binner (*Frente Amplio Progresista*) 10.18 percent. Although he won in his own province, current Governor of San Luis Alberto Rodríguez Saá (*Compromiso Federal*) only garnered 8.17 percent of the vote. The runner-up in the 2007 presidential elections Elisa Carrió (*Coalición Cívica-AR*) received a mere 3.24 percent, a result that might signify the end of her political career. **The outcome came as a surprise to opposition leaders, who expected to gain more support and leave CFK with below 40 percent** (the winning candidate in October will need 45 percent of the vote or 40 percent with a 10-point margin with the second candidate in order to avoid a second round). Even though this election served exclusively to define candidacies for October (which means that it is possible that voters vote for a different candidate in the presidential election), **the results virtually assure a CFK victory in October (even in the first round), a fact that we had anticipated in previous reports** (see [here](#) and [here](#)).

### Weak, fragmented opposition with no positive outlook

Indeed, the 38 point difference is irreversible for an opposition that has not been able to overcome its high degree of fragmentation, its inability to take advantage of the small chances they had to reduce the difference with CFK, and, since Sunday, the feeling of defeat.

To be sure, the feeling of defeat is not unjustified, as **CFK not only won in all provinces except for San Luis** (and by extremely large margins in several), but also managed to achieve a victory **even in those provinces where the FPV had either lost recent local elections** (City of Buenos Aires, Santa Fe) or did not present candidates (Córdoba).

These losses had led some members of the opposition and anti-CFK media outlets to anticipate a closer race in the primaries. The blow was so hard for these forces that they remained almost silent for the ten days following the election, only to react in a defensive, dejected manner. The response came in three ways: denouncing a large-scale fraud, calling for a revision of electoral rules and procedures, and asking voters to at least support their candidates for Congress as a means of balancing and "checking" CFK's second term.

**Accusations of fraud were initiated by Unión Popular and quickly spread to the other opposition forces and the anti-Kirchnerist media** after it was known that various reports sent to the Ministry of the Interior (in charge of the preliminary counting) were incomplete or contained dubious information (for example, several polling stations registered zero votes for some of the candidates, an unlikely event). Federal Judge Manuel Blanco even claimed that "serious irregularities" took place. **However, both the National Electoral Chamber and the Supreme Court discarded fraud as a possibility, arguing that mistakes should not be magnified and that, in any case, the alleged reports were used only for calculating preliminary results and had been discarded for the mandatory counting.** In the same line, opposition members who first joined the claim, such as Alfonsín, later retracted their statements. **We believe that, although inconsistencies appeared in several districts, these have not been larger than in previous elections and certainly cannot explain the overwhelming**

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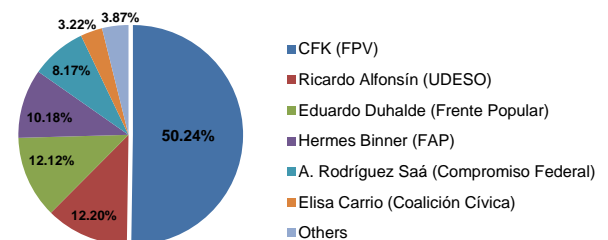
Mandatory primary elections show CFK strength

- CFK's victory of 50%
- Disoriented opposition

CFK's role in the region

- Increasing regional activity
- A potential regional leader?

### Primary elections: definitive results



Source: National Electoral Chamber

**victory of CFK.** Accusations of fraud seem to be generated as a part of a “negative campaign” that we anticipated in previous PCRs, which also includes installing fears of an economic crisis and social chaos similar to that of 2001. The fact that the difference in votes for CFK between the preliminary and the definitive results was only 0.17 percent is an indication of the failure of this strategy. In any case, the fraud accusations took the center of the political stage in the past few days, which led all of the opposition forces to call for a change in the electoral rules and the adoption of the Australian system, by which voters use a uniform single ballot including the candidates of all the parties. Besides the danger of calling for an alteration of the system in the middle of an electoral process, **the focus on minor issues unlikely to decide an election shows the weak political strategy of the opposition forces and their inability to articulate a viable alternative to CFK.**

**Finally, a third reaction to the defeat in the primaries has been to re-focus the campaign on the need to vote against the FPV in the legislative elections as a way of increasing “control” over a new CFK term in office.** Even if people vote for CFK, the argument goes, it should also empower the opposition in Congress to counterbalance a Government that has showed little respect for “institutional quality” in the past. The “institutional risk” claim not only shows the weakness of the opposition’s presidential candidates: it also **shows the recognition from the opposition that, if the result of the general election reproduces that of the primaries, the FPV would end up close (2-4 seats shy) to getting a majority in the House and keeping the current majority in the Senate (including allies).** On the other hand, the decision to shift the focus onto the legislative arena shows the need of the presidential candidates to cater to the demands of the candidates competing for other posts, which have also been manifested in the recent attempts of some candidates for governor to detach their candidacies from those of their presidential candidates.

### Looking for a larger victory

In this context, **it is not unthinkable that the “defeatist” attitude of the opposition could increase support to CFK in October.** At this point, none of the candidates seem capable of articulating a viable option against the current administration. Alfonsín himself went on the record saying that this election is “impossible to win.” In addition to that, **we believe that the Government will continue campaigning actively to improve the result it achieved in the primaries, in order to avoid being seen as losing power. We believe that there is room to grow in the more disputed districts (City of Buenos Aires, Santa Fe, and Córdoba), especially if the “presidential attributes” of CFK are highlighted** (the increasing regional activism, see below, is a sign in that direction).

A development as such is feasible for another relevant reason: **the primaries showed that the anti-Kirchnerist Peronism** (represented by Eduardo Duhalde, Alberto Rodríguez Saá and Francisco de Narváez in the Province of Buenos Aires) **consistently failed to convene a significant sector of Peronist voters, independent citizens and even activists** (which explains the alleged irregularities, since they are in charge of ensuring that their party’s votes are counted). The evident alignment of most peronists behind CFK defied continuous rumors of ruptures sprayed by some sectors of the media which, at least in the short- to medium-term, are not likely to succeed.

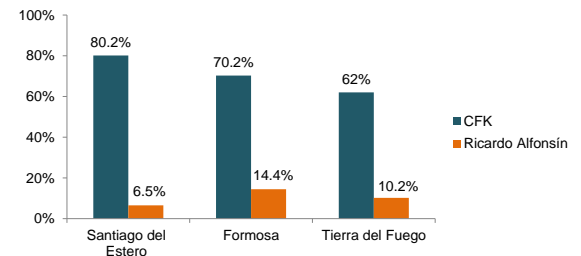
### Steps onto the regional stage

**President CFK has shown a renewed activism in foreign affairs in the past few weeks, especially at a regional level.** She has been travelling to various neighboring countries, including Brazil and Peru, and has received other regional leaders, such as President Juan Manuel Santos of Colombia and President José Mujica of Uruguay, in an effort to fortify economic and political relations. Additionally, various summits and meetings were held in Buenos Aires, including that of ministers of economy and governors of central banks of Union of South American Nations (UNASUR) and that of foreign affairs ministers of the Forum for Latin America and East Asia Cooperation (FOCALAE), to name a few.

### Buenos Aires: buzzing with diplomatic activity

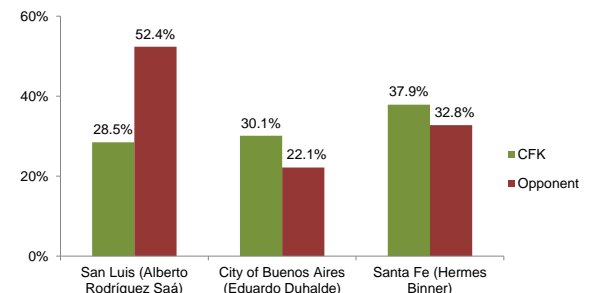
**Ministers of economy and central bank governors of UNASUR countries met for a second time on August 12 in Buenos Aires** (the previous meeting was held in Lima on August 4) **and created the Economic and Financial Council of the UNASUR.** The regional organization is made up of 12 countries that represent 68 percent of the population in Latin America. The newly-founded Council created six concrete mechanisms in order to increase inter-regional trade and facilitate greater coordination and reaction capabilities to the negative economic effects created by the 2008 financial crisis. Additionally, they compromised to create a

Provinces with largest gaps in electoral outcome



Source: Interior Ministry

Provinces with smallest gaps in electoral outcome



Source: Interior Ministry

### Confrontation due to housing conflict in Jujuy Province

Similar to the situation in the City of Buenos Aires last December, **housing issues surged once more when a squatter eviction turned violent in Jujuy Province.** Provincial Police evacuated approximately 500 families from private property in *Libertador General San Martín*. The occupied land belongs to Ledesma, the largest sugar producer in Argentina. The eviction led to physical confrontation when the occupants, many of whom make up the militant leftist organization *Corriente Clasista y Combativa*, resisted the police. The conflict led to **four deaths (three occupants and one police officer), approximately 70 injuries and 22 arrests.**

Governor Barrionuevo (an ally of the CFK Administration) initially accused the firm and the Provincial Judiciary as those responsible for the incidents, but then turned to the Provincial Police, even firing the chief of operation, Captain Néstor Vera. Ministry of Government of Jujuy Pablo La Villa resigned as well.

Occupation of public and private property continued throughout August. The Provincial Government is implementing the “one lot per family” policy, supplying public lands to meet the demands of nearly 20,000 citizens without homes. **Ledesma itself also committed 40 hectares of their private land for families’ use.**

These initiatives have been successful in appeasing the public, a goal specially valued in an electoral year. In fact, **the incidents have not affected the FPV performance in the primary elections in the province, where CFK got 57.8 percent of the vote.**

regional reserve in order to face the consequences of the crisis in the region. The Council also recognized the need to create further deadlines and goals in order to ensure economic growth and unity as well as to avert any conflicts between member countries.

**The UNASUR meetings acted as a precursor to the V FOCALAE summit.** Foreign affairs ministers of FOCALAE member countries met in Buenos Aires on August 25 to discuss economic activity between the regions. FOCALAE consists of 18 countries of Latin America and 16 of East Asia. According to the interregional organization, trade between regions has increased by 450 percent in the past 10 years. The summit focused on eradicating barriers and creating more open trade. In its declaration, FOCALAE stated that despite the increasing social, fiscal and financial vulnerabilities in the advanced economies of Europe and the United States that threatens to spread all over the world, Latin America and East Asia were able to avoid contagion and remain as the two regions with the highest growth in the past few years. The declaration states that the two regions have demonstrated economic and social capacities to survive and withstand the negative economic impact of the 2008 crisis.

A day before the summit, CFK received the foreign ministers in the Casa Rosada and spoke on the need to find new paradigms that allow nations to reestablish the balance between the market and the state.

### All politics is local?

In addition to the increasing activism of the country in regional forums, CFK conducted a series of bilateral meetings with key leaders of the region, which (among other actions) explicitly supported her re-election.

President Santos' visit was the first in ten years for a Colombian President, and showed the renewed empathy between both countries. During the visit, Santos emphasized the importance of stronger relations between countries as a means of defending their economies from the international crisis. CFK expressed agreement to his statements, outlining that businesses must create regional unity in order to maximize job creation and regional productivity. She stated that this crisis may in fact become a "magnificent opportunity" for the region. CFK also reached out in terms of movements towards economic unity in Brazil earlier in August when she visited President Dilma Rousseff in Sao Paulo. CFK was accompanied by various ministers and business leaders who met with their Brazilian counterparts in order to strike new business relations as well as construct agreements in order to deter trade conflicts. She also met President Mujica in order to re-inaugurate a train connecting both countries.

**CFK's renewed interest in regional affairs responds to two interrelated goals. The first, short-term goal is to reinforce her "presidential" image before the October Presidential elections.** Given the lack of experience of the other candidates in this realm, the image of CFK as an active and respected leader in the region could be an asset to be exploited in her favor, especially given the objective of improving her electoral performance from the primary elections. The explicit support of CFK's candidacy demonstrated by President Santos and President Rousseff only further bolsters her image as a diplomatic leader.

**The other, long-term goal is to fill the current vacuum in terms of regional leadership, a role previously played by Brazilian ex-President Luiz Inácio Lula da Silva.** Indeed, the domestic difficulties faced by Rousseff in Brazil and Piñera in Chile, together with the health problems of Hugo Chávez (and the consequent declining role of its closest allies, Correa in Ecuador and Morales in Bolivia) give others the opportunity to become the leaders of the region, especially in a context of high economic growth and relative financial stability. Having succeeded in retaining power in an undisputed way in her country, **CFK emerges as well positioned to occupy that role, perhaps in tandem with President Santos.** Others, such as recently-elected president Ollanta Humala of Peru, could join as minor partners.

If successful, CFK would not only deter, to some extent, Rousseff ambitions in the region, but would also contribute to improving her image in international forums, a fact that would help her second mandate be seen as a more "institutional" one.

### Rumors of Hugo Moyano's split from CGT. An unlikely scenario?

The Secretary General of the General Labor Confederation (CGT) Hugo Moyano (HM) addressed the growing rumors of his departure from the organization, denying all claims. HM stated that **he intends to end his term in June of next year.** He accused the press of attacking him and pushing for an early resignation.

**Rumors sprung from various sources, even from within the CGT.** Oscar Lescano, leader of the Light and Power Union, publicly said that HM intends to leave the CGT after the October Presidential elections. The head of the Public Health Union Carlos West Ocampo pointed out that **HM's departure would be appropriate, as he only has part of the CGT's support.** These two leaders are a part of the so-called *Gordos*, a group of large unions that publicly dispute HM's leadership. The *Gordos* also include the Metallurgy Workers' Union (UOM), the Auto Mechanics and Transport Union (SMATA) and the Commerce Employees Union, among others.

The anti-Moyano union leaders are taking advantage of the distant relationship between HM and CFK. During the past few months the CFK Administration was able to handle HM attempts at gaining political space, limiting, for example, unions' presence in legislative electoral lists and by dismissing a quick approval of the profit-sharing bill. In this context, **the Gordos interpret CFK's clear victory in the August primary elections as an opportunity to try to force HM to move away from the CGT.**

In any case, **we believe that HM will not leave the CGT before the end of his term.** Not only does he not seem willing to do it; it is also unclear as to how the CFK Government will benefit from such a situation: although HM has a strong "negative image" among the electorate, **a messy succession at the CGT would imply a considerable political cost for a Government that will need union's support in the event of an economic crisis.** Additionally, HM keeps good relations with key members of the cabinet and assures a strong leadership of the union movement, a fact that was apparent in the recent minimum wage salary negotiations between unions, business organizations, and the Government. The negotiations resulted in a 25 percent increase (approximately USD 545), half-way between unionists' and business' demands (41 and 18 percent, respectively). For these reasons, we believe that, **even if HM leaves the CGT, his departure will be negotiated with the CFK Administration.**

#### PCR Team:

Francisco Andrés Resnicoff, Senior Specialist  
fresnicoff@cefeidas.com

Juan Cruz Díaz, Managing Director  
jcdiaz@cefeidas.com

Santiago J.D. Chaher, Managing Director  
schaher@cefeidas.com

Gabi Huesca, Junior Consultant  
ghuesca@cefeidas.com

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