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## Political Climate Report - ARGENTINA

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*Sunday's midterm elections built on the Cambiemos coalition's success in the August primaries (PASOs) and were a resounding victory for the government, which was the most-voted political force nationwide. The government's candidates received just over 40 percent of the national vote, compared to around 35 percent in the PASOs, and solidified the territorial gains it made outside of its strongholds. On the other hand, the opposition, both the more traditional elements of Peronism and Kircherist-affiliated groups, emerged from the election in disarray and without a clear direction or leadership. Although the high-profile disappearance of activist Santiago Maldonado received intense public scrutiny over the last several weeks, the case ultimately did not have a major impact on the election's outcome. Overall, the result will strengthen governability by giving the Macri administration a strong mandate to continue its pro-business reform program. At the same time, Peronism's internal struggles mean a consolidated opposition is unlikely to take form before 2019.*

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### Cambiemos paints Argentina's electoral map yellow

**Cambiemos' electoral performance consolidated the alliance as a powerful national political force. Furthermore, theirs was the largest victory for any alliance in the midterms in over three decades.** The government's candidates won in the nation's "big five" electoral districts (Buenos Aires city, Buenos Aires province, Córdoba, Santa Fe and Mendoza), the first time this has happened since the midterm elections of Raúl Alfonsín's (UCR) administration in 1985. In the August primaries, the government came out on top only three of the top five districts (which together represent 66 percent of Argentina's population).

Additionally, *Cambiemos* expanded its territorial reach beyond its core areas of support and received the largest share of votes in 13 of Argentina's 24 electoral districts. **This improved upon August's performance in which it won 10 districts, and its 2015 legislative performance, when *Cambiemos* received the most votes in just four (Mendoza, Buenos Aires City, Cordoba and La Rioja).** Notably, the government consolidated its



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power in the north and center of the country and won in several provinces that have long been Peronist-governed (Chaco and Salta, for example).

**Further, the results revealed *Cambios*' resilience in the districts it controls,** a trend begun during President Mauricio Macri's tenure as Mayor of Buenos Aires city, which under his leadership became the PRO Party's main stronghold. This has been continued by current Mayor Horacio Rodríguez Larreta, evidenced by Elisa Carrió's resounding victory in the national deputy race in the capital. On Sunday, *Cambios* candidates won convincingly in the four provinces where it controls the governorship (Buenos Aires, Corrientes, Mendoza, Jujuy), as well as in the majority of the key municipalities it controls in Buenos Aires province (notably Vicente López, La Plata, Lanus, Moron, Mar del Plata, Bahía Blanca, Pilar and Tres de Febrero).

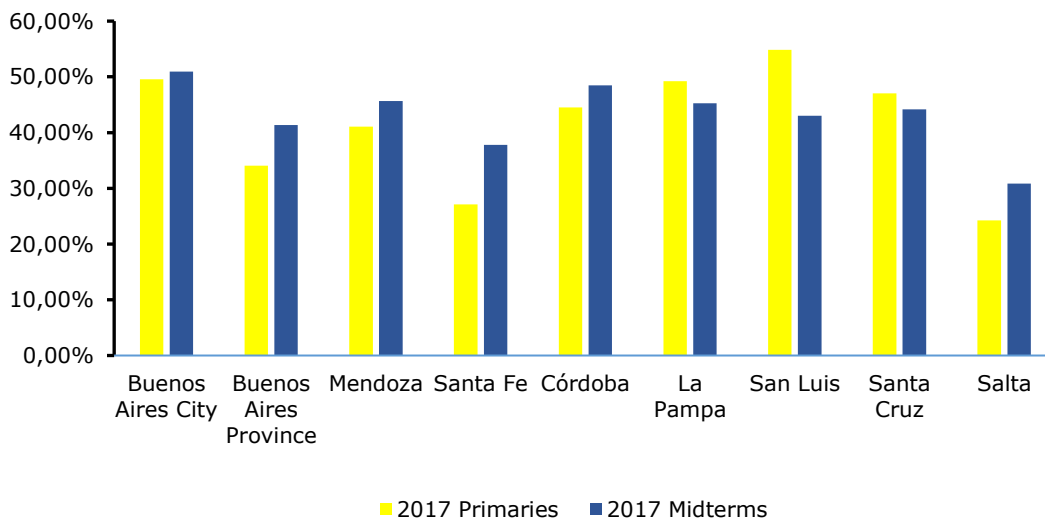
*CFK vows to remain as Peronism left without a clear leader*

*Cambios* also had a solid win in key

battleground Buenos Aires province, where government candidate Esteban Bullrich beat former President Cristina Fernández de Kirchner by about 4 percentage points, as had been predicted by most polls. On the one hand, this is a damaging loss for the former president, who despite being the opposition's strongest candidate, lost to relatively low-profile Bullrich. Bullrich, in turn, failed to come into his own as a candidate and owes much of his victory to the popularity of Buenos Aires province Governor María Eugenia Vidal. On the other hand, although she came in second, CFK posted **a strong midterm performance, and the result guarantees her a seat in the Senate come December and continued national relevance.**

Beyond Buenos Aires province, the overall electoral results were a disappointment for Peronism which, despite winning approximately 45 percent of the nationwide vote, is left divided and without a clear leader. This internal division is evidenced in the vote split in which *Kirchnerismo* received around 21.8 percent nationwide, moderate Peronism around 15 percent and dissident Peronist Sergio

***Cambios* Vote Percentage in Headline Race\***



\*Headline race refers to highest nationwide office elected in the province. Several provinces elected national senators, while others elected national deputies.

Massa's *Frente Renovador* around 6 percent. **The scale of the challenge faced by the Peronist Party is also highlighted by the fact that opposition candidates failed to present a legitimate challenge to *Cambiamos* even by deploying different electoral strategies.** In Buenos Aires province, CFK would likely have triumphed over Bullrich had she joined forces with former Transport Minister Florencio Randazzo (who took 5 percent of the vote). However, in other districts (for example, Entre Ríos, Santa Fe and Mendoza), a united Kirchnerist/traditional Peronist front failed to secure victory. Nor did opposition candidates running on a third-way, non-Kirchnerist/anti-Kirchnerist platform perform well.

The results were particularly poor for three non-Kirchnerist Peronist leaders who were the strongest contenders for a presidential run in 2019--Salta Governor Juan Manuel Urtubey, Cordoba Governor Juan Schiaretti and Massa. All suffered defeats in their home districts (including by as much as 19 points in Schiaretti's case) and will have to reevaluate their presidential ambitions. **As a result, the Peronist Party has emerged from the elections without a presidential frontrunner brought to the fore.**

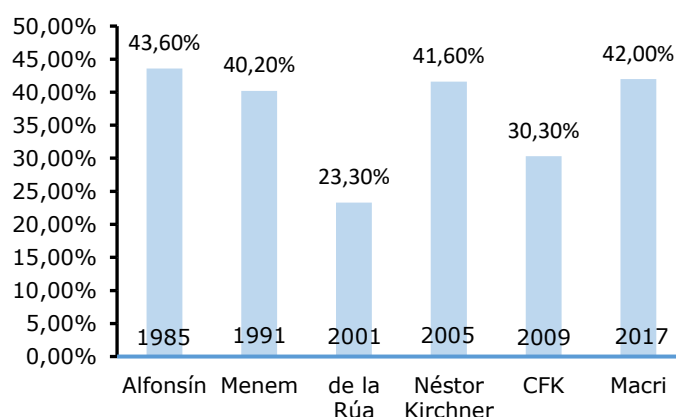
All this means Peronism remains in disarray without a clear leader or unifying agenda. Meanwhile, CFK remains best positioned as a potential leader of the opposition--although she arguably remains the most divisive figure in Argentina's political landscape. Notably, the Peronist leaders who suffered defeats had attempted to position themselves as a moderate renewal option that worked constructively with the Macri government. This strategy appears to not have borne fruit as voters in their districts tended to vote for *Cambiamos*, or the combative anti-government rhetoric of Kirchnerist candidates (see below for further analysis).

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### *The specter of a missing persons case hangs over the election*

The disappearance of human rights activist Santiago Maldonado from a protest on August 1 (see [here](#) for background) exacerbated divisions in the run-up to the election and became highly politicized as both the government and opposition accused each other of exploiting the disappearance for political gain. The discovery of a body in the Chubut River on October 17, later confirmed to be that of Maldonado two days before the vote, dominated headlines and led candidates to suspend official campaign activities. **Despite the highly charged atmosphere surrounding the circumstances of the disappearance and the discovery of Maldonado's body, the issue had little to negligible influence on the election's outcome.** This can be explained by the fact that opinions on Maldonado's disappearance are largely influenced by existing political orientation. As such, voters were unlikely to be swayed by developments in the case even so close to polling day.

**National Results: First midterm legislative elections  
1985 - 2017**



## A historic victory with long-term ramifications

Broadly speaking, the 2017 midterm elections were a nationwide poll on the Macri government's reformist agenda (as we analysed in our [August PCR](#)). The government's strong result has important ramifications for Congressional dynamics and the outlook for economic reforms. This showing takes on importance in several ways.

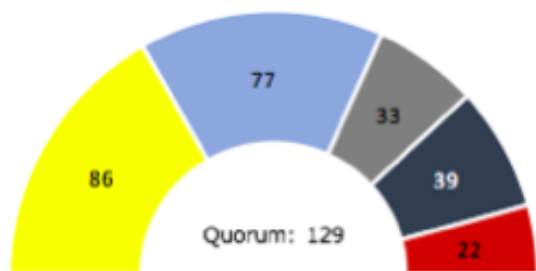
*Government gains ground in Congress...*

As we had been anticipating (see [here](#)), the government will remain a minority

alliance in the Chamber of Deputies and in the Senate when the new Congress assembles in December (see graphics). However, its overall position will strengthen due to a combination of having gained more seats (21 in the Chamber of Deputies, 9 in the Senate), and the election of moderate opposition lawmakers more likely to cooperate on the passing of key legislation. The ongoing divisions within the Peronist party will also allow the government to continue its thus-far successful strategy of negotiating legislation with various opposition factions.

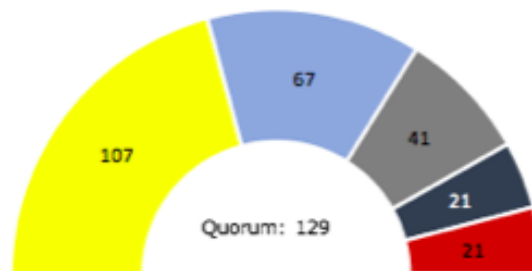
**With the election out of the way, the pace of economic reforms - largely on hold since last year - will pick up.** The government has already announced that it

Current Composition of the Chamber of Deputies\*



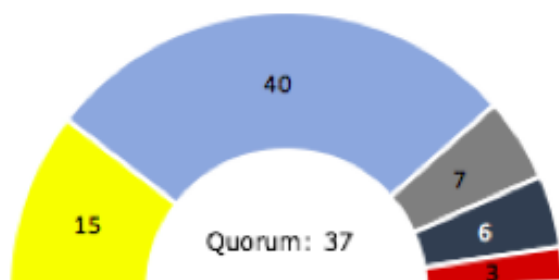
■ Cambiemos ■ Kichnerists & allies ■ Peronists ■ Massa & allies ■ Others

Projected Composition of the Next Chamber of Deputies\*



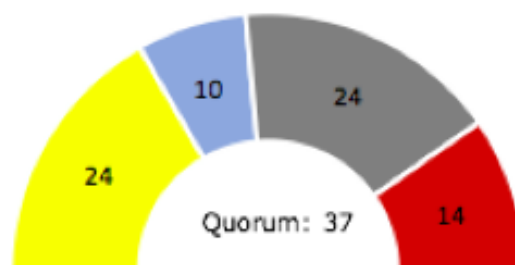
■ Cambiemos ■ Kichnerists & allies ■ Peronists ■ Massa & allies ■ Others

Current Composition of the Senate\*



■ Cambiemos ■ Kichnerists & allies ■ Peronists  
■ Massa & allies ■ Others

Projected Composition of the Next Senate\*



■ Cambiemos ■ Kichnerists & allies  
■ Peronists ■ Massa & allies  
■ Others

\*Estimates of bloc sizes vary due to differences in determining alignment of specific legislators.

will lower additional subsidies on gas tariffs and other public services. We also expect the government to waste no time in presenting a new raft of major legislative changes. Tax reform, labor reform and a capital markets law are set to be presented to Congress next month. While the government will certainly be in a better negotiating position in Congress, we nevertheless expect its attempts to run into challenges. Much in the same manner that defined its first two years in office, the government's minority status will require deft political maneuvering and concessions to opposition figures to ease reform through. Attempts to loosen labor protections represent a major challenge on the horizon. Labor reform will likely generate high levels of social conflict, with unions expected to lead strong opposition to many measures. **It is also important to note that in spite of its "victory", the government remains highly unpopular with large portions of the electorate.**

*... as Peronism remains at sea...*

Two years on from Peronism's defeat in 2015, Argentina's opposition panorama remains fragmented. The main reason for this is the candidacy of CFK. A scenario where CFK was able - in spite of relentless accusations of corruption against her and her former associates - to achieve 37 percent of the vote in Buenos Aires province underlines her political resilience. However, while CFK retains apparently unshakeable levels of support among the most disadvantaged strata of Argentine society, her appeal has a ceiling. Additionally, her loss to Bullrich deprives her of some credibility, as does the fact that the Peronist party has lost four of the last five elections under her leadership (2009, 2013, 2015 and 2017). As a result of these factors, she lacks the capital to position herself as the unopposed leader of the opposition, despite being the strongest anti-government figurehead in the country

(and the most divisive). This situation will complicate the renewal process that has been underway in the Peronist Party since 2015. **The Party's poor performance in traditional strongholds reveals the urgent need to develop a more united front and an identity that captures sufficient levels of support to challenge *Cambiamos*.** In statements conceding defeat to Bullrich, CFK defined her electoral front *Unidad Ciudadana* as "the foundation of the alternative to this government". The continued presence and longevity of CFK prevents more moderate factions from developing an alternative strategy.

It is likely that the deep divisions in the Peronist Party - fueled by CFK - will persist until 2019. The next major opportunity to align and organize candidates behind a single figure will be the campaign and results of the August 2019 PASOs. As a result, we see it unlikely that a frontrunner will come to the fore before at least the next electoral cycle.

*...and Macrismo enters a new phase.*

The government's robust performance will resonate well with investors and the international community alike. **This, together with the mandate it has been handed by the electorate, will allow the Macri administration to press on with its pro-business reform program.** However, the government will now enter a new phase as it takes on the responsibility of governing more districts. It will have to navigate the need to further reduce macroeconomic imbalances on the one hand, (fundamental to long-term economic stability, as well as convincing investors Argentina is worth their bet) and retaining the support of its new voters. International investors - upon whom the government will depend to finance its economic growth plan - have been mostly waiting for Macri's first electoral test, both so they can assess

the robustness of his coalition, and also to judge to what extent the way has been cleared for his re-election. **As long as CFK remains a potent electoral force that divides the Peronist party, the more likely it is that Macri will be a two-term President.**

It should be noted that the strength and maturity of Argentina's electoral process was on full display during the midterms. All opposition parties conceded defeat as soon as it came apparent they had lost, and there were no major accusations of voter fraud or other mismanagement. This demonstrates a respect for the political process.

**In this sense, beyond the electoral victory, the consolidation of *Cambiamos* at a national level has brought equilibrium to the political system.** After years of elections defined by internal Peronist disputes, the electoral system is now processing disputes between opposing political forces with all abiding by the rules and respecting the process.

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