

Perspectives on the Newly Elected Fernández's Foreign Policy

Written by Janina Onuki and Tamiris Burin

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JANINA ONUKI AND TAMIRIS BURIN, JAN 25 2020

Latin America has been observed by electoral specialists for a long time. It has been an interesting case study from the electoral point of view with many twists between left and right-oriented governments. These represented significant changes in the foreign policy agenda between multilateral negotiations, and articulation and agreements with developing countries. This article aims to discuss the changes that may happen in Argentina with the election of a new government regarding its relationship with other countries. Special attention will be given to its regional behavior focusing on Brazil, Argentina's long-term partner with whom it has several signed agreements, especially now that the partners have governments of different ideological orientations.

In the October 2019 general elections, Argentina went to the polls for the main test of Mauricio Macri's liberal economic program and one of the most polarized presidential races of recent decades in the country. Seeking re-election, Macri attained 40.3 percent of the votes and yet was beaten by the 48.2 attained by his main opponent, Alberto Fernández, elected in the first round that included four other candidates that together did not reach 10 percent of the vote. More than the defeat of a mandate marked by pressure from its creditors and the unpopularity resulting from deteriorated economic indexes, Fernández's victory represents, with the former president Cristina Kirchner as his vice-president, a return of Peronist forces and of a left leadership in Latin America's current conjecture. A member of the Justicialist Party, the president was previously integrated at Raúl Alfonsín's Economy Ministry (1983-1989), approached Peronist liberal-wings under the Carlos Menem government (1989-1999), and advised Néstor Kirchner's candidacy when he became the Chief of Cabinet for his entire tenure (2003-2007). In Cristina Kirchner's government (2007-2015) he maintained the same post but left in her first year, remaining politically distant since then. In this sense, Cristina's recent waiver to run for president, even though she led the polls, and his choice of her as plate partner in the *Frente de Todos* coalition, reflected an effort to broaden its compositions among heterogeneous and fragmented political sectors, as Alberto's own political trajectory suggests.

In mid-2018, Argentina came to terms with the International Monetary Fund (IMF) on a loan of US\$44 billion, that became the IMF's largest volume of money ever granted, and which was even expanded to US\$57 billion a few months later. Intended only as a stand-by agreement to increase liquidity and strengthen confidence amid the country's crisis, 83 percent of the loan that Macri's administration received, around US\$44 billion, ended up being allocated to repay other debts, which could not be restructured. This debt with private creditors suggests the IMF loan will go the same path. This resulted in extremely high levels of debt that could represent the main internal challenge the government inherited, and suggests a possible focus of Argentinian foreign policy. However, Fernández seems to have other priorities which he has sought to address in the programmatic terms of its political platform and by pronouncements and meetings he has held since election campaign.

Regarding the country's IMF bailout requests and the imminent debt restructuring, the political program of *Frente de Todos* (2019) mentions an 'irresponsible foreign indebtedness' that 'will place the next government's foreign policy in front of a system of concentrated powers and interests'. A reactive stance that Fernández confirmed by pointing to the impossibility of applying further adjustments in conversation with IMF representatives and later indicating his refusal of receiving the remaining US\$11 billion that were in standby from the total agreed by Macri with the Fund.

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Further, through a diagnosis that unipolar structures are giving way to a 'gradual emergence of a multipolar system', the program denounces the central role that relations with the United States would have gained in the previous government. Fernández proposed, in addition, to create broader economic relations with China in accordance with the multipolar trend and attract Chinese foreign investment in the region. This a matter was addressed by Fernández's balancing post-election meetings with the Chinese ambassador about a range of new and ongoing Chinese-built infrastructure projects. He also met with the US-American ambassador in the same month, who reinforced US support to 'overcome Argentinian economic challenges'.

Concerning regional issues, the platform points to a 'loss of centrality of the integration project', defends the strategic nature of relations with neighbours and the possibility of restore initiatives that were blocked, such as Unasur. In effect, Fernández has already affirmed having no intention to leave the Lima Group, which supports Juan Guaidó's leadership and considers the possibility of interventions in Venezuela's crisis. However, his position is probably in accordance with the position of the Puebla Group, that met for the second time in Buenos Aires since Fernández's took office. The group opposes any use of force that breaks a precedent of peaceful dispute settlement in the region.

Finally, the regional fragmentation among political and economic models, along with different interests of regionalism and global insertion, expose the most probable tensions in relations with the Brazilian government. Fernández's requests for the release from prison of Brazil's former President Lula da Silva (2003-2010), whom he visited in prison, led to openly hostile mentions by incumbent President Jair Bolsonaro, who earlier threatened to review Brazil's permanence in Mercosur if Fernández and Kirchner won the elections. The case of the former Brazilian president, that Fernández accused of being an 'unforgivable arbitrary situation', closely resembles Cristina Kirchner's situation when she had an arrest warrant issued for 'treason against the homeland' because of a 1994 terrorist attack, after giving signs she would run for the presidential elections. Certainly, while the context imperatives of these frictions cannot be ruled out, Fernández's first visit to López Obrador in Mexico could mean a rearrangement of proximity among leaders of the region's largest economies.

At first glance, it is often pointed out that given an internal scenario of marked concessions, the government could use external interactions to offer fewer moderate responses to the electorate or to remind supporters of its orientation. However, this logic tends to suggest that foreign strategies could be formed unconnected from domestic audiences and commitments, or that the international environment could sustain direct connections to the ballot box's will. Both possibilities are questionable. Yet, among Argentinian domestic and structural constrains, different conjunctures could prevail and a troubled relationship with Brazil is the case in many of them. The unfolding of these stances puts the spot on the interdependent relation with Argentina's second largest trade partner. While Brazilian diplomats declared they expected another approach from Fernández once in office, Argentinian Foreign Minister Felipe Solá immediately declared that relations will be developed 'not only with the presidents who are friends, but with countries where we have obligations and interests'.

In Mercosur, outward-oriented relations have taken the central stage. The agreement with the European Union, for which negotiations concluded in June 2019, meant a concert of broad trade issues between blocks that represent 25% of the world economy. This also implies that each party's legislators' preferences have been mapped out since their approval is required for the agreement's implementation.

In Argentina, however, the new government will have to conclude the course of an agreement it did not negotiate and obstacles could arise during the technical revisions or the ratification. The timetable for these final steps has yet to be defined. Considering that foreign policy matters tend to follow legislative support for presidential initiatives (Ribeiro, Urdinez, 2017), delays or renegotiations still could be ensue. Even though sector interests within Mercosur economies are likely to outline these options (Malamud, 2019). Additionally, old Brazilian pressures on Argentina's phytosanitary barriers, especially the list of non-automatic licenses, adds a reduction in Mercosur's common external tariff which could be a threat to the import-substitution policies set as key pledges during Fernández's campaign. Lacalle Pou's victory in Uruguay coordinates Brazil, Paraguay and Uruguay for economic openness and the integration of local producers into global value chains, even though the expansion of mostly primary competitive sectors may deepen the bloc's trade asymmetries with its partners. With Venezuela's indefinite suspension from the block, Argentina's sole resistance to this agenda will still have to produce results.

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The restructuring of Argentina's debt with private creditors and, concomitantly, with the IMF, will ultimately be the biggest challenge of the new president. In addition to legal strings attached to the national debt, the attempt to extend the terms of maturities was mentioned as the only alternative. The debt payment suspensions, however, should be conditioned on fiscal adjustments that are unlikely to be agreed without the support of the United States, the fund's largest shareholder. US incentives to approach Fernández may be US-American companies' investments in the country and long-term intentions to reduce China's economic influence in the region. However, the trade war between China and the United States may cool down this dynamic. Rather than reconfiguring trade flows, as Argentina occupies the US's former position as main soybeans exports to China, it could also amplify to the escalation of protectionist effects.

At the beginning of the decade, the interaction of emerging and traditional powers on reforming the international financial system of global governance, as the expansion of China's foreign investments, suggested that bilateral solutions and regional money funds were starting to become reasonable options for financing and prevention of global crises in the South (Chin, 2010). In fact, Argentinian relations with China are underpinned by a range of infrastructure investment packages, including nuclear power plants, two major dams and a US\$ 2.5 billion upgrade of a rail network. All this projects were maintained by Macri's government, despite his strategy in the international finance architecture.

At the regional level, on the other hand, Fernández's announcements of US\$ 1.6 billion in loans from Fonplata (Plata Basin Financial Development Fund, a multilateral financial organization formed by Argentina, Bolivia, Brazil, Paraguay and Uruguay) for future development plans in Argentina, and the US\$4 billion pledge from the Development Bank of Latin America (CAF) to finance infrastructure in the country, may reactivate important sectors of the economy. But it remains to be seen whether regional development banks or arrangements could play bigger roles as Argentina seeks alternatives due to the financial crisis. Thus, the relations of Argentina with the centers of international financial and political power, as in previous periods, will largely govern the country's foreign policy for the next years.

Common foreign policy issues of South American countries will be prominent themes in the coming years. Their relationship with the United States and China, as well as the future of Mercosur, depend on the relationship between the two major powers. Changes of government would likely have a major impact and, since some of them have new governments starting in 2020, scholars should be vigilant regarding the relationships between governments with distinct ideological profiles and preferences. Considering there is a strong interdependence between them, individual action cannot be an option.

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