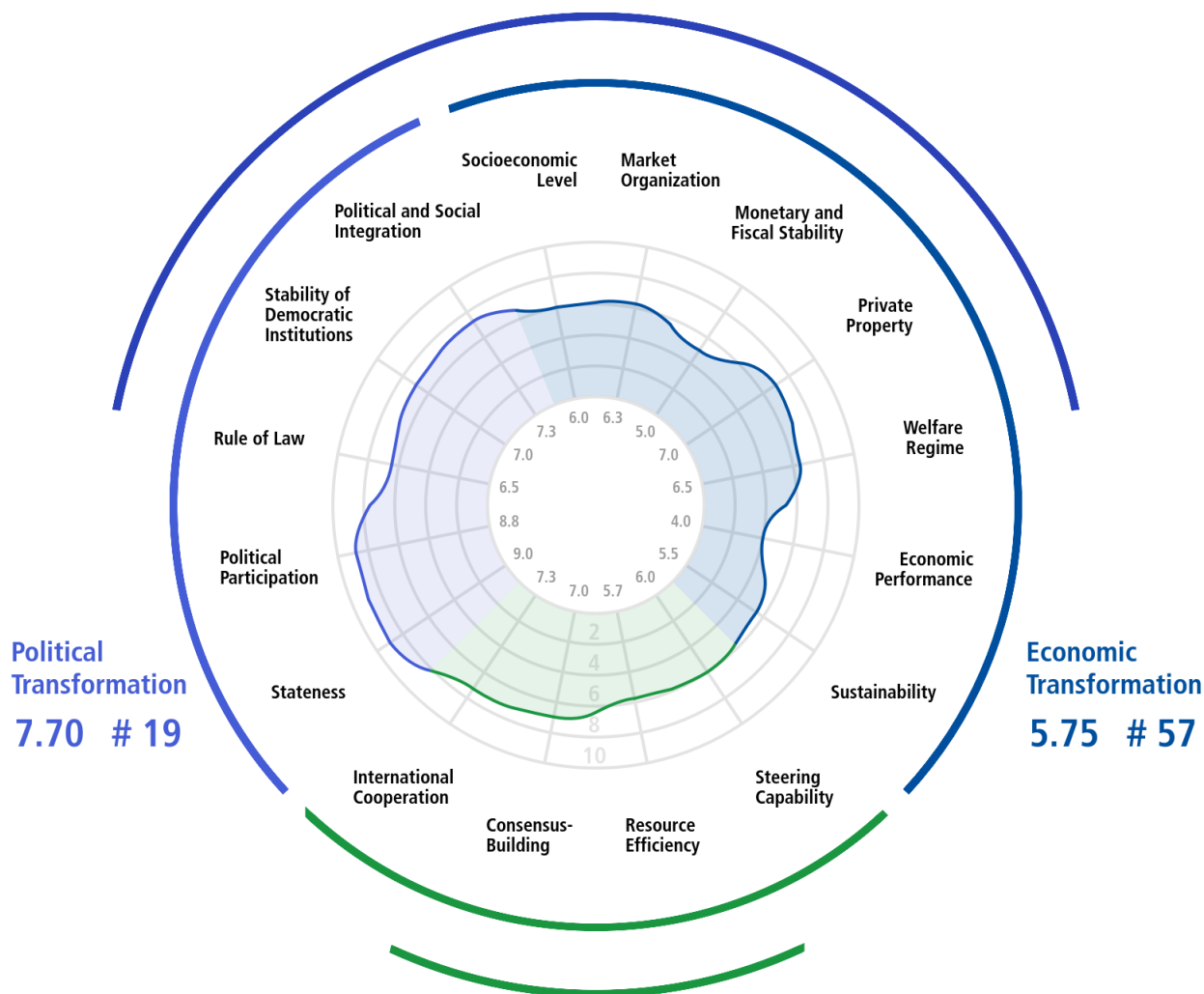


Argentina

Status Index

6.73 # 27

on 1-10 scale out of 137



Political Transformation
7.70 # 19

Economic Transformation
5.75 # 57

Governance Index

5.52 # 40

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	45.4	HDI	0.845	GDP p.c., PPP \$	20768
Pop. growth ¹	% p.a.	1.0	HDI rank of 189	46	Gini Index	42.9
Life expectancy	years	76.7	UN Education Index	0.855	Poverty ³	% 4.9
Urban population	%	92.1	Gender inequality ²	0.328	Aid per capita \$	0.4

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

After three years of President Mauricio Macri's center-right government, political polarization returned to Argentina during the 2019 election year as a result of the country's deteriorating economic situation and ongoing financial volatility. The split among the opposition Peronists, which made Macri's re-election more likely, ended with Cristina Fernández de Kirchner's move to renounce her presidential candidacy. Instead, she put forward the moderate Peronist Alberto Fernández and settled for the vice presidency herself. Macri lost significantly to the Fernández-Fernández ticket in the August primaries and was then defeated in the October elections. The devaluation of the peso after the primaries catapulted the inflation rate to 53.5% and the poverty rate to 40.8% by the end of 2019, and foreign debt rose to 90% of GDP.

Immediately after taking office, President Fernández pushed an emergency fiscal consolidation package through Congress. However, instead of closing Argentina's huge budget deficit, which is at the heart of many of the country's problems, the government reverted to an economic model based on government spending and subsidies to boost domestic consumption. He also moved to expand the money supply, contrary to the government's ostensible interest in fighting the high inflation rate. One positive sign was that Fernández offered a series of investment promotion programs at the federal, provincial and municipal levels to attract investment within specific sectors of the economy. Fernández also reached an agreement with external bondholders and initiated negotiations with the IMF.

Governing by decree continues to offer the temptation to concentrate power further. Currently, however, the real power play is not so much between the government and the parliamentary opposition as within the government itself, that is between the moderate and radical wings of Peronism. The former is represented by the president, the latter by his vice president. The ongoing lack of consensus inside the government has undermined efforts to restore the market and public confidence needed to help Argentina find a way out of the crisis. In this context, constitutional lawyers have referred to a transformation of presidentialism into vice-presidentialism. Moreover,

there is a lack of clarity among the various political and social forces about how to eliminate democratic defects, about the importance of institutions and on how they should be strengthened, especially concerning the judiciary.

At the end of January 2021, Argentina approached a total cumulative number of 2 million COVID-19 cases – almost half of which had been in the greater Buenos Aires area – with a death toll of about 50,000. By decree, the government declared a state of health emergency from March 12, 2020 to March 12, 2021. Its subsequent measures to fight the pandemic were enacted exclusively by decrees, thus circumventing checks and balances. The measures stalled economic activity, severely restricted freedom of assembly and had a particularly negative impact on minorities. The pandemic caused the state to increase spending to strengthen the health care system, support people who could not work because of the quarantine, and support businesses to prevent decapitalization and ensure job preservation. Due to a mix of governance failures and undue competition on behalf of the rich countries, vaccination started on December 29, 2020, relying in the first stage exclusively on Russia's Sputnik V.

History and Characteristics of Transformation

Argentina has a long history of economic and political crises. It has defaulted on its external debt nine times since achieving independence in 1816. Frequent changes in the system of government, irregular regime changes and crises within the dominant power cartels have impeded both development and the implementation of coherent policies. This lack of long-term stability culminated in a fierce military dictatorship that remained in power from 1976 to 1983, breaking down after the disaster of the Falkland/Malvinas war. After the return to democracy, hyperinflation and political stalemate characterized the presidency of Raúl Alfonsín (1983 – 1989) and his Radical Civic Union (UCR); he was forced to cede office prematurely to the already elected Carlos Menem (1989 – 1999) of the Peronist Partido Justicialista (PJ). After 10 years of neoliberal reforms, however, Peronism was voted out of office for the first time in Argentina's history in the 1999 elections.

As a consequence of a series of international financial crises and the depreciation of the real in Brazil, the Argentine economy fell into recession this same year. But the new center-left alliance under the leadership of President Fernando de la Rúa (UCR), confronted with a Peronist majority in the Senate and among provincial governors, failed to resolve the nation's grave social problems. A wave of protests and violence brought the nation to the brink of chaos and forced de la Rúa to resign in December 2001, ushering Peronism back into power. After a brief term under the leadership of Eduardo Duhalde, the country was governed by Néstor Kirchner, ex-governor of the Santa Cruz province (2003 – 2007) and his wife, Cristina Fernández de Kirchner (2007 – 2015).

After 12 years under the left-wing Peronists, the 2015 presidential elections resulted in a surprising political change. For the first time, a non-Peronist center-right coalition under the leadership of Mauricio Macri won the presidency and a non-Peronist governor the province of Buenos Aires. In the legislative elections, Fernández's Front for Victory (FPV) lost its absolute majority of seats in

the lower house but kept it in the Senate. Macri began his term with a mix of economic shock therapy and gradualism, reversing some of Fernández's populist policies. But these measures, although necessary, have proven painful. The peso devaluation further increased the already-high inflation rate and strongly affected the purchasing power of households. Similarly, the reduction or abolition of a wide range of subsidies (e.g., energy and transport subsidies) led to substantial price increases. These measures provoked social discontent and protest.

To counterbalance the foreseeable social costs and promote economic growth, the government enacted public infrastructure projects, made transfers to provinces to fund public works, increased pension benefits and unemployment subsidies, and reduced taxes for SMEs affected by the import liberalization policy. It also introduced a tax amnesty program, which increased government revenue. Macri adopted a remarkably successful pragmatic political style that was driven by the dialogue he sought with potential allies and veto groups. He also issued a series of decrees that were democratically problematic. In 2018, Macri signed a historic agreement with holdout bondholders that enabled the country to regain access to international capital markets. Confronted with the harsher conditions attached to international financing and the results of the severe drought that affected the agricultural sector and exports, the government entered the second half of 2018 with a \$50 billion (later increased to \$57.5 billion) financial assistance program with the IMF. This program included a stricter primary fiscal deficit target for 2018 and the following two years.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force in principle prevails throughout the country and is not seriously disputed by functional organizations such as guerrillas or paramilitaries. However, organized crime related to drug-trafficking has grown significantly over the last decade, as Argentina not only became the second-largest cocaine market in Latin America behind Brazil, but also a transit point for drugs to West Africa and Europe and increasingly a consumer country. The northern and central regions of the country are most affected by the drug trade. Money-laundering activities related to drug money, especially in the Tri-Border Area, as well as private security services, have eroded or even overwhelmed the state's monopoly on the use of force in urban centers. In the poorer provinces, shortages in funding and personnel have limited the state's ability to act effectively, or even undermined it by opening security personnel to the temptations of corruption.

The Macri administration had a clear focus on fighting drug demand as opposed to legalizing personal consumption. He was able to claim some security successes in his four years in office. Arguably most significant was the systematic collection of data and publishing of reliable official statistics, something which has stopped completely under former president Cristina Fernández. Alberto Fernández's security minister, Sabina Frederic, is among those who consider that Macri and his security minister Bullrich adopted a failed "mano dura" approach to public security. In 2020, Argentine police seized millions of Argentine pesos and thousands of U.S. dollars in cash, often concealed inside trucks transporting goods through provinces bordering Paraguay. Cash smuggling is a new development in Argentina's security landscape.

Question
Score

Monopoly on the
use of force

8

'06 '22 10

8

1

The large majority of the population accepts the nation-state as legitimate. According to the constitution, all individuals and group members have the right to acquire citizenship without discrimination. No relevant group in society challenges the definition of citizenship or the validity of the state's constitution. Indigenous peoples, their right to bilingual education and ownership of ancestral lands are recognized in the constitution, but law enforcement is weak. Many Argentines even believe that there are no indigenous peoples in their country. Only 3% of citizens think that indigenous people suffer the most discrimination in the country. Pejorative terms that portray indigenous people as being lazy, ignorant and savage are used as part of everyday language in Argentina. These false stereotypes have forced many indigenous people over the years to hide their identity to avoid racial discrimination. Many indigenous peoples, including the Mapuche in Patagonia and the Tobas and Kolas in the north, are largely neglected by the government, suffer disproportionately from disease, extreme poverty and the effects of COVID-19, and are still denied legal recognition of their land rights.

The state is secular, and religious dogmas have no significant influence on the legal system or political institutions. The population is largely Catholic, but public education is secular and religious minorities are free to practice their faith. Although the Catholic Church is explicitly mentioned in the constitution as worthy of support, according to Supreme Court rulings, this does not equate to status as an official religion; in essence, Christian, Jewish, Muslim and other religious groups have the same legal status. Basically, even the Catholic Church, which is the most influential, is little more than a political interest group. Despite Macri's attempts to win the church as an ally, the church continued to criticize many of his administration's economic measures, as it did with his predecessor Cristina Fernández de Kirchner. It has issued warnings about the rising levels of inequality and poverty, organized crime, corruption, and the "Integral Sex Education" bill. The church has also sharply criticized the law that allows abortions up to the 14th week, passed in December 2020.

The state's basic infrastructure, including the judiciary, tax authorities and law enforcement, covers the entire national territory. However, it functions somewhat poorly, especially in the peripheral regions. A total of 96% of the population has access to sanitary facilities, and 99% has access to a water source. State administration and political parties manage public funds, but distribution often follows particularistic, patronage-based and nontransparent criteria, especially at the provincial and municipal levels. Both the Macri and Fernández governments have launched plans to develop the 10 poorer provinces in the north and the approximately 2,300 municipalities in the south, respectively. These suffer disproportionately from regional imbalances, a lack of infrastructure and logistical difficulties. However, due to a lack of funding since 2018, these plans stalled during the reporting period. Basic infrastructure services have been severely curtailed since the start of the lockdown due to the effects of COVID-19 (reduction of air and rural public transport, closure of provincial borders, and closure of schools and universities).

State identity

10



1

No interference of religious dogmas

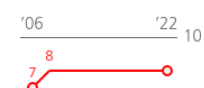
10



1

Basic administration

8



1

2 | Political Participation

General elections – such as the last 2019 elections – are mostly free and fair and are accepted as the legitimate means of filling leadership positions. Universal suffrage and the right to campaign for office exist. The electoral juridical body (Cámara Nacional Electoral) is an integral part of the judiciary. It is not a separate body, as in other Latin American countries, but is nominally independent in its decisions. In the August 2019 primaries, the Peronist ticket (Alberto Fernández and Cristina Fernández) received almost 50% of the votes, while Macri received only 32%. In the October elections, Fernández obtained 48% of the votes, which allowed him to take office without a second round of voting.

Significant deficiencies relate primarily to the inconsistent enforcement of election laws and campaign finance regulations. According to *La Nación* (November 20, 2020), auditors from the National Electoral Chamber (Cámara Nacional Electoral) have found inconsistencies in the records kept by both major party alliances concerning campaign financing in 2019 (insolvent donors, government suppliers and public concessionaires acting as donors, and business groups exceeding the maximum limit for campaign contributions). The auditors recommended to the judge that neither of the two groups should have their party financing records approved. At that time, the 2015 presidential campaign balances had also not yet been approved, after audits found various irregularities in the party financing for both Macri and Peronist candidate Daniel Scioli.

Democratically elected political representatives generally have the power to govern, but in Argentina’s under-institutionalized political system, individual power groups are able to create their own separate domains or enact special-interest policies, albeit with varying success across political cycles. Four corporate actors have historically wielded some veto power: big business, trade unions, the financial sector and the military. Once the most powerful veto power, the military has not held veto power in political affairs since the early 1990s.

Macri’s implementation of a more open and liberal development model improved relations with the industrial sector, but only with export-oriented companies. By contrast, the “wave of imports” provoked conflict between medium-sized companies and the government. Macri publicly demonstrated a willingness to cooperate with unions, and made several gestures, in particular the repayment of the debts of the “obras sociales,” the social security system that operates through the unions. In view of the growing resistance to his economic policies and the fact that his Cambiemos center-right coalition lacked a majority in both legislative chambers, Macri was urged to make some concessions (e.g., wage increases) and abandon portions of his ambitious reform program.

Free and fair elections

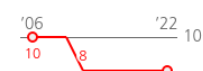
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1

Effective power to govern

8



1

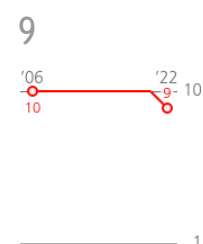
With a majority in both houses and a moderate parliamentary opposition, the Peronists have had sufficient power to govern. However, the president and vice president have different visions of politics and democracy, one republican and the other autocratic, which sometimes makes it difficult to govern effectively. Other actors such as trade unions and entrepreneurs were severely restricted in their bargaining or veto power in 2020 as a result of the pandemic and the government-imposed measures that blocked economic life for much of the year.

The constitution provides for the freedoms of peaceful assembly and association, and the government generally respects these rights. In addition to the established forms of interest group articulation (unions and business organizations), there are a variety of grassroots organizations, NGOs, self-help groups, and national and international human rights groups. They are usually free of legal restrictions and political pressure from the state. Other forms of articulation and protest, such as demonstrations, spontaneous protests or the manifestations of the *piqueteros* (literally “picketers,” generally referring to poor unemployed workers demonstrating for better conditions), are comparatively numerous and sometimes massive, as in 2019 in the face of the worsening economic crisis. Occasionally they are met with excessive violence by the police.

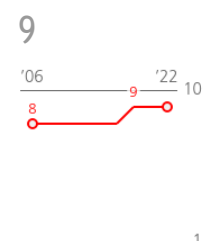
In the second half of 2020, thousands of citizens once again took to the streets against the Fernández government in response to the restrictions imposed during the pandemic, the devastating economic situation, and the growing levels of unemployment and poverty. They complained about the lack of a plan to reactivate the economy, and the blockage of the political process due to internal coalition conflicts. Anti-pandemic measures severely restricted freedoms of assembly and association, initially ordering “social isolation” and prohibiting gatherings for any reason. Although generally non-repressive, excessive force was used at times in some provinces (notably Formosa). In the second half of 2020, restrictions were partially relaxed (moving from isolation to social distancing, with gatherings of up to 100 people successively allowed in public spaces), depending on regional infection rates. The measures were prolonged again at the end of January 2021, with no districts having infection rates that required social isolation (Decree 67/2021).

The freedoms of information and expression are guaranteed by law but are occasionally subject to interference or state restrictions. The state does not impede free access to the internet or censor online content, which is widely consumed in Argentina. Nevertheless, in recent years the number of bills introduced in Congress to regulate various aspects of the internet has grown exponentially. Of particular concern is the fact that many of the bills that have surfaced in the context of internet regulation do not respect the principles of specificity, necessity and proportionality that must be met by restrictions on freedom of expression. The COVID-19 pandemic has exacerbated the country’s digital divide, with some populations disproportionately lacking access to information about the virus.

Association /
assembly rights



Freedom of
expression



In 2019, there were reports of physical attacks, threats and harassment against journalists, especially when covering protests. Some journalists have faced charges of corruption or other infractions as a response to their investigatory work. In Reporters without Borders' Freedom of The Press Index 2020, Argentina was ranked at 64th place (of 180 countries; 2019: 57; 2018: 52).

Media policy was a central issue of Macri's administration. He removed many of the policies implemented by his predecessor. Media ownership is concentrated in large conglomerates such as the La Nación and Clarín groups. Due to the concentration process, the current economic crisis and the lack of state action, more than 20 media outlets have been closed down across the country since 2016, and at least 3,500 media employees have lost their jobs (more than 2,700 in the city of Buenos Aires alone) over a period of only two years. Tariffs for information and communications technology services have been limited since 2019 as part of a voluntary agreement between the industry and the Macri government. The Fernández administration has maintained this decision and is coming under increasing pressure from the more radical Peronist faction.

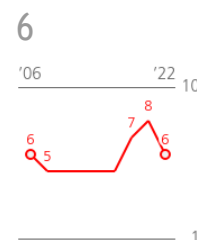
3 | Rule of Law

Since the 1990s, the balance of power between the three branches of government has clearly shifted in favor of the executive, resulting in a "presidential hegemony." The use of executive decree powers has marginalized Congress' role in formulating, scrutinizing and passing legislation, while undermining trust between the executive and the legislature. Macri and his successor Fernández also implemented some of their reforms by decree. Defeated in two cases during the first month of his term, Macri behaved more cautiously, built bridges with some parts of the opposition and ultimately showed more respect for the balance of power.

As one of his first measures, President Fernández submitted a far-reaching bill (Ley de Solidaridad y Reactivación Productiva) to Congress to obtain emergency powers. Congress authorized the government to legislate by decree and declare an economic, financial, fiscal, administrative, social and energy emergency lasting until December 31, 2020. These very broad powers were sharply criticized by the opposition.

Also by decree, the government declared a state of health emergency lasting from March 12, 2020 to March 12, 2021. Its subsequent measures to fight the pandemic were enacted exclusively by decrees, thus circumventing checks and balances. According to the Global States of Democracy Index, there were concerns about the long duration of the health emergency, the potentially disproportional restrictions on the freedom of expression and harsh punishments for violations of the COVID-19 measures.

Separation of powers



Vice President Cristina Fernández’s role in power politics has increased steadily over the months. Her speech at a meeting of the Latin American Council of Social Sciences (CLACSO) in December 2020 expressed a very strange and widely discussed assessment of the separation of powers. She indicated that this democratic principle should be abandoned, because it was old and anachronistic. In particular, she said, the judiciary, which she called reminiscent of the monarchy, should be “retired for life” (see also “Independent judiciary”).

Argentina’s judiciary is in principle independent and institutionally differentiated in federal and provincial justice systems. However, it remains subject to influence by political authorities; is in parts still plagued by corruption, delays and inefficiency; and burdened by scores of tenured but incompetent judges, particularly at the provincial level where governors prefer to have friendly courts in place during their administrations. While the Supreme Court has been able to assert relative independence, the judiciary in general is quickly caught in the mills of political and ideological antagonisms.

Judicial effectiveness did not substantially improve in 2019/2020 compared with previous years. According to the Index of Economic Freedom 2020, the Judicial Effectiveness score (range 0-100) was 47.0 (2018: 44.5). The WJP Rule of Law Index 2020 ranks Argentina 48th out of 128 countries (with an overall score of 0.58; 2016: 0.55), and 12th out of 30 countries in Latin America (2016: 14). More specifically, WJP ranks the functioning of civil justice at 45th place, and that of criminal justice at 68th place (with rather low scores in the areas of “effective investigations” and “effective correctional system”). Neither survey covers the more recent Fernández era.

Apparently, both sides of the political spectrum have their own view of “judicial independence.” The Macri government launched a reform program entitled Justice 2020 that was intended to bring about fundamental changes in the judiciary through a series of measures and laws. President Fernández, who once said that “without an independent judiciary there can be no republic and no democracy,” sent a bill on judicial reform to Congress at the beginning of his term with the goal of ending political manipulation of the courts. The latter refers mainly to his vice president’s claim being a victim of political persecution by the courts. However, it was not clear whether he was seeking true independence or merely changing the direction of influence. After her speech at the CLACSO meeting mentioned above (see “Separation of powers”), the vice president proposed “democratizing” the judicial system by involving other social actors. She believes that democracy is not the enshrinement of the rights of the minority, but rather the rule of law of the majority.

Independent
judiciary

6

'06 '22 10



1

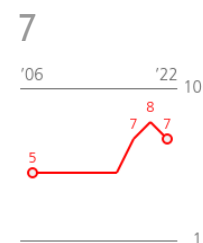
Corruption scandals are widespread in Argentina, and the lack of transparency, weak institutions, and an often ineffective and politicized judicial system undermine systematic attempts to curb corruption. Several members of the political class, including former presidents, have been indicted. In the peripheral provinces of the North and Patagonia, a culture of submission to power and impunity for the powerful persists. Those with the closest relationships to local governors tend to prevail in the competitions to become federal judges in the provinces, and cases of abuse by public officials tend not to result in penalties. At the national level, the former vice president is serving a sentence at home despite having a definitive sentence (another indication that the law is not the same for political officials and the rest of the citizenry).

Compared to previous years, the situation improved under the Macri administration, which strengthened anti-corruption legislation through its new corporate criminal liability act. Although President Fernández promised in his inauguration speech to overhaul the judiciary to guarantee its independence, he backed claims by Cristina Fernández, now vice president, that the plethora of corruption cases against her are politically motivated. This and the above-mentioned appointments of allies to key positions were signs that he was acquiescing to a politicization of the judiciary, and of setbacks in the fight against corruption. (Shortly after the review period, this, as well as the trends mentioned under the “Independent judiciary” section, became much clearer in the president’s annual inaugural address to Congress, when he openly linked the “politicization of the judiciary” in the Cristina Fernández cases to initiatives aimed at further curtailing the judiciary.)

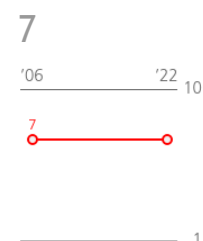
Several different court cases are underway against the vice president for crimes such as corruption and money-laundering. Five of them have reached the hearing stage, although only one has gone to trial so far. The trial was suspended in March because of the pandemic, and the restart in July was delayed because of technical problems. In late September 2020, the Federal Chamber of Criminal Appeals (Cámara Federal de Casación Penal) dealt a major blow to the vice president’s attempt to overturn the cause of the “corruption notebooks” scandal (“Cuadernos de las Coimas”) by refusing to invalidate the confessions of 31 defendants.

Civil rights and liberties are constitutionally guaranteed, and include equality before the law, equal access to justice and due process under the rule of law. However, because both the police and the judiciary are politicized, corrupt, inefficient and, in the case of the police, poorly paid, the legal measures taken to address violations of these civil rights and liberties are generally inadequate. The excessive use of force by police and other security forces has been reported to be a recurring problem. The situation in prisons is also problematic due to severe overcrowding and the poor quality of basic services. In addition, torture in prisons and detention centers remains a serious problem. Governments at the national and provincial levels have been unable to change the prevailing culture in the security forces and have repeatedly failed to reform the police forces, some of which are also involved in criminal activity. Much of the rise in violent crime has been fueled by the complicity of high-level judicial and law enforcement officials in drug trafficking.

Prosecution of office abuse



Civil rights



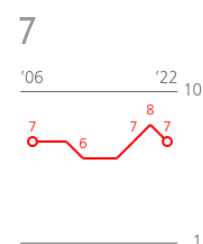
There are national and local ombudsmen to help citizens whose rights are violated by the state, but their role is de facto limited for those with low incomes and others who are socially excluded. Discrimination against the indigenous population remains a problem. Anti-Semitism and xenophobia against immigrants from Andean countries and Asia, and more recently in some cases against refugees from Venezuela, are on the rise. The COVID-19 pandemic is having a particularly negative impact on minorities, exacerbating their existing disadvantages. Significant advances have been made with regard to LGBTQ+ rights and women's rights; in late December 2020, Congress legalized abortions up to the 14th week of pregnancy.

4 | Stability of Democratic Institutions

The political system is characterized by a strong presidentialism with a significant concentration of executive power. The system of formal and informal incentives ensures that obstruction of the government is more profitable than cooperation for the opposition. The “localization” and decentralization of politics emerged without the parallel development of a solid party system on the national level, and without the institutional mechanisms that typically constitute a countervailing power to these centrifugal tendencies. Furthermore, informal rules allow for a systemic bias in favor of obtaining privileged income, nepotism or outright corruption. In addition, relations between the economic and political spheres feature a substantial amount of state capture and rentierism.

During Macri's term, the incidence of government by decree decreased significantly compared to previous governments. Macri's political style and strategic behavior allowed him to reach some ad hoc agreements with the support of moderate Peronists, led by Sergio Massa, and with the governors, a traditionally strong veto group in Argentina. In turn, under President Fernández, a new general power structure has been installed with a completely new and unprecedented center of gravity in parliament, because the head of the Peronist political movement, Vice President Cristina Fernández, is ex officio also president of the Senate. Moreover, with Buenos Aires governor Axel Kicillof, she holds the key to the province of Buenos Aires, where a quarter of the country's population lives, and has formed an important alliance with two other governors. In the Assembly, the Peronist blocs have been united, leaving Fernández's son Máximo at the helm. Finally, Cristina Fernández has enormous influence in three strategic commissions: the Budget and Finance commissions in both the Senate and the Assembly, and the Commission for Agreements in the Senate. Under this power structure, observers argue, Argentina has effectively entered into a “vice presidential regime.”

Performance of democratic institutions



The constitutional order has not been disrupted since Argentina's return to democracy. The relevant actors accept the democratic institutions as legitimate, but there are growing signs that their democratic substance is increasingly being eroded by power-political interests. Elections are largely clean, civil liberties are largely protected and the traditional veto powers are comparatively weak. The military, which was responsible for six coups between 1930 and 1976, has withdrawn from politics. Corporate actors such as unions and employers respect their limits of action as defined by the law.

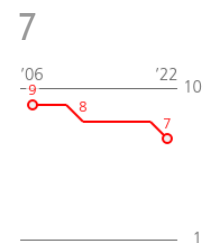
The changes of government in 2015 and 2019 were peaceful and took place within the democratic rules of the game. Nevertheless, in 2020, with the new Peronist coalition government, these rules of the game have changed, going beyond the traditional divide between formal and informal rules, such as between the logic of institutions and their application in the daily work of politicians and social actors. The creeping transformation of presidentialism into vice-presidentialism and the related contempt for the judiciary is increasingly provoking criticism from sections of society, especially the middle class threatened by social decline, and leading media.

5 | Political and Social Integration

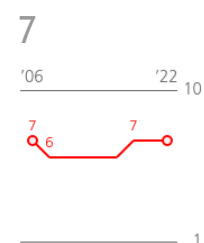
The party system is fairly stable and socially rooted, with moderate levels of fragmentation, polarization and volatility. Clientelism is deeply rooted in party political dynamics and secures political support through social assistance measures; it is particularly dominant in the metropolitan area of Buenos Aires, where extreme poverty is concentrated and the “punteros” provide votes. The traditional structure of Argentina's party system, characterized by competition between Peronism (PJ) and Radicalism (UCR), were maintained during the Néstor Kirchner and Cristina Fernández presidencies, although the walls between the two camps became increasingly porous. As in other countries, Argentine voters are increasingly voting in an output-oriented way.

The combination of a united opposition and fragmented Peronism led to Macri's victory in 2015. Cambiemos, a coalition between the Civic Coalition (CC), the Republican Proposal (PRO) under Macri and the Radical Civic Union (UCR), was the first non-Peronist center-right coalition to win the presidency and also the first to finish a full term. Basically, however, there is a latent polarization between Peronists and anti-Peronists. While this polarization occasionally ebbs and flows, another distinctive feature is the sometimes confrontation-prone factionalism within Peronism. While a united Peronism movement was able to win the 2019 elections, noticeable fissures appeared toward the end of the review period, as when Cristina Fernández published an open letter in October 2020 in which she declared that the government was not capable of solving the crisis.

Commitment to democratic institutions



Party system



The existing network of associations reflects most social interests and is partly able to mediate between society and the political system. However, it is relatively fragmented and dominated by a few strong interest groups, notably business associations and trade unions, which leads to a latent risk of pooling conflict and little cooperation. A wide variety of interest groups focus on professional, social, environmental, human rights and gender issues.

Since Macri's victory, a series of workers' protests and strikes, including two general strikes, have taken place, directed mainly against the government's economic policies. Nevertheless, the government continued its dialogue with various sectors of the General Confederation of Labor (CGT), with the explicit aim of creating or exploiting existing divisions within the trade union movement. This strategy ended in January 2018 with an unprecedented increase in arrests of union leaders accused of corruption, and with the initiation of Macri's labor reform project aimed at attracting foreign investors, improving Argentina's competitiveness, and reducing the power and influence of unions. With the Macri government's initial reforms, relations with employers began to improve. The dramatic devaluation of the peso was a gift to the export-oriented sector, especially agriculture, the most dynamic sector. Relations with the Argentine Industrial Union (UIA) improved as both sides saw themselves as allies.

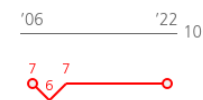
The Fernández government does not intend to pass a comprehensive labor law reform bill, preferring instead to allow companies and workers to negotiate any adjustments to working conditions through a process of collective bargaining. The Fernández government offered a series of investment promotion programs at the federal, provincial and municipal levels to attract investment in specific sectors of the economy. After reaching key debt-restructuring milestones in August 2020, the Fernández government announced new stimulus measures for the industrial sector and a plan for a property tax. To avoid default, win broad support for debt negotiations and send a strong message to debt holders, Fernández revived an old idea and sent a bill to Congress in December to revive the Economic and Social Council as the basis for a new social agreement, with support from representatives of labor unions and the business, agriculture and financial sectors.

Approval levels for democratic norms and procedures continue to be fairly high but have declined compared to previous years. According to Latinobarómetro 2018, 59% of Argentine respondents stated that democracy is preferable to any other kind of government (2010: 83%; 2015: 70%; 2017: 68%). At the same time, 14% said that an authoritarian regime may be preferable under certain circumstances. Only 9% stated that Argentina is not a democracy. However, only 27% are satisfied with the functioning of democracy, and 54% are convinced that Argentine democracy has serious problems.

The political protests against the Macri and Fernández governments were not directed against the political class as a whole, as the protests during the 2001/02 crisis had been, but focused instead on specific political issues, primarily economic issues,

Interest groups

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Approval of democracy

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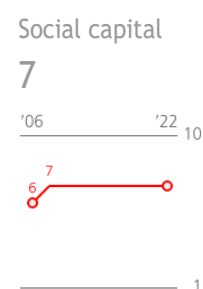


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corruption, increasing insecurity and the handling of the coronavirus pandemic. Only 26% felt represented by parliament and, even more dramatically, only 14% said they had confidence in the political parties. By the end of 2020, the president had lost much of his political capital due to concerns about his controversial reform proposals for the judiciary and the ongoing handling of the coronavirus pandemic. In general, there is a wide gap between the general acceptance of democratic norms and judgments about the functioning of specific democratic institutions.

Though there is a robust network of civil society organizations such as NGOs and associations across the country, the sense of solidarity and trust among the population and general levels of confidence in the institutions of social and political representation have declined since 2012. Interpersonal confidence is chronically low. Fundamental social norms are poorly developed, and Argentina has been described as “an anomic society.” Formal institutions are undermined by informal rules, personal connections (“amiguismo”) and loyalties. According to Latinobarómetro 2018, only 18% (2016: 22.4%) of respondents stated that one can trust other persons. Rule-flouting individualism and group loyalties determine behavior. Overall, 67.1% of respondents were convinced that people do not normally say what they think, while 38% stated that solidarity with poor and marginalized groups is not guaranteed.

The perception of the political process as a zero-sum game in which the “winner takes all” has largely been internalized among parts of the political and economic elite, and also spills over into society, where social polarization has increased again in recent years. The pandemic paralyzed cooperative efforts during the long quarantine and isolated many in their homes who had formed exchange organizations and other forms of self-help associations. Even after preventive isolation was relaxed, such groups did not resume the rhythm of activity seen before the COVID-19 outbreak, as fear of contagion and shortages of vaccines discouraged social gatherings.



II. Economic Transformation

6 | Level of Socioeconomic Development

Argentina is still considered a country with very high levels of human development, but poverty and inequality (Gini index 2019: 41.2; 2018: 41.4; 2016: 42.4) are persistent challenges. The adjustment measures implemented by the Macri and Fernández governments affected not only the most vulnerable population groups that depend on social funds, but also the so-called new poor (i.e., those with precarious jobs, and the recently unemployed) and SMEs ruined by the avalanche of imports and (in 2020) the effects of the pandemic.

Argentina's economy entered the pandemic in a weakened state, having already been in recession since 2018. Due to the national lockdown implemented in the second quarter of 2020, and the weak and intermittent economic recovery that began in the third quarter, private consumption and investment continued to be extremely weak. The collapse in activity has led to falling household incomes and job losses despite the government's efforts to protect jobs through extensive furlough schemes, fiscal relief measures and the distribution of an emergency basic household income. Opposition figures have denounced the government measures as destroying the economy.

According to the World Bank's World Development Indicators (WDI), 3.9% of the population lived on less than \$3.20 a day in 2018. The poverty index of the Argentina Catholic University showed a poverty rate of 40.8% in the third quarter of 2019 (2018: 32%), rising further to 44.2% in 2020. Children, youth and the elderly have been most affected. The indigence rate is 10% to 12% of the whole population, just as in 1988. Argentina ranked 17th out of 133 BTI countries covered in the HDI 2020, and 46th globally, with a score of 0.845 (2018: 0.842). The country's overall HDI loss due to inequality was 13.7% in 2018, the second-lowest such decline in the region behind Uruguay. Exclusion based on gender, religion and ethnicity play a minor role compared to most other Latin American countries. The country's score on the Gender Inequality Index improved slightly throughout the decade from 0.358 in 2010 to 0.328 in 2019, the seventh-lowest value in the region.

Question
Score

Socioeconomic
barriers

6

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1

Economic indicators		2017	2018	2019	2020
GDP	\$ M	643628.7	517626.7	445445.2	383067.0
GDP growth	%	2.8	-2.6	-2.1	-9.9
Inflation (CPI)	%	-	-	-	-
Unemployment	%	8.4	9.2	9.8	11.7
Foreign direct investment	% of GDP	1.8	2.3	1.5	-
Export growth	%	2.6	0.5	9.0	-17.7
Import growth	%	15.6	-4.5	-19.0	-18.1
Current account balance	\$ M	-31151.4	-27049.2	-3997.0	2985.0
Public debt	% of GDP	57.0	85.2	88.7	102.8
External debt	\$ M	225925.3	277827.3	281723.8	253760.1
Total debt service	\$ M	40445.2	43001.9	43865.2	28096.8
Net lending/borrowing	% of GDP	-5.5	-5.4	-4.0	-
Tax revenue	% of GDP	10.9	10.1	10.6	-
Government consumption	% of GDP	17.7	16.4	15.8	16.2
Public education spending	% of GDP	5.5	4.9	4.8	-
Public health spending	% of GDP	6.6	5.9	-	-
R&D expenditure	% of GDP	0.6	0.5	-	-
Military expenditure	% of GDP	0.9	0.7	0.7	0.8

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The foundations of a competitive market economy are by and large assured, but the rules governing market competition are not consistent or always uniform for all market participants. The consistency of the market order is persistently undermined by ongoing power struggles between political, economic and social forces. This lack of agreed stable rules is perhaps the major problem of the Argentine universe overall. The country ranks 128th among 190 economies in the World Bank's Doing Business 2020. It takes 12 procedures, 11.5 days, and a (comparatively low) 5.0% of per capita income to start a business. Despite diminishing since the early 2000s, the informal sector remains large, representing 49.4% of employment, according to ILO data for 2019.

In order to reverse the previous government's policies (anti-competitive regulation, barriers to entry, weak antitrust framework, and significant and unpredictable government involvement in private industry), the Macri government suspended most of these restrictions, but continued to impose the price controls on basic household products first launched in 2014 by the Kirchner government. After inheriting a deep recession, Macri's successor Alberto Fernández has attempted to attract investment in certain sectors of the economy with broad-based credit and investment promotion programs, and has provided favorable loan terms through the National Fund for the Development of Micro, Small and Medium Enterprises. The loans were further supported by the Ministry of Productive Development during the pandemic. However, experts complained that these measures fell far short of a comprehensive economic plan for leading the economy out of recession.

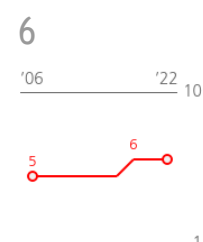
The formation of monopolies and oligopolies during the 1990s, along with increasing levels of market concentration, led to the passage of a new antitrust law in 1999. This defines the standards applying to restrictive agreements, market abuse and dominance, and mergers. However, the implementation of effective antitrust policies has encountered severe barriers over time. Until 2018, the anti-monopoly policies were executed within a weak institutional framework, inconsistently enforced and occasionally abused for political gain. In some cases, crony capitalism has favored the creation of new monopolies. According to the Global Competitiveness Report 2019, Argentina ranked 121st out of 141 countries on the issue of domestic competition, and even worse (133rd) concerning the distortive effect of taxes and subsidies on competition.

In 2018, Macri enacted a new competition law that includes a comprehensive overhaul of the competition law regime, with the aim of bringing Argentina in line with international best practices and modernizing the existing archaic system. In November 2019, an OECD report stated that the new regime would be "in line with international good practices on effective cartel (and bid rigging) enforcement."

Market organization



Competition policy



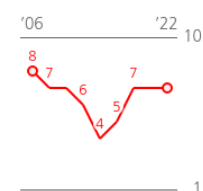
However, rules on the one hand and their enforcement/circumvention on the other have always been two different things in Argentina. The new Competition Law aimed to remove all decision-making powers from the Secretariat of Domestic Trade (SDT) and create a new (autarkic) competition authority, the National Competition Authority (NCA). However, the change of government and (presumably) the pandemic further delayed the appointment of the NCA's members; competition policy has therefore remained entrusted to the SDT, which operates under the authority of the Ministry of Productive Development. In March 2020, the Fernández government enacted the Supermarket Shelf Law, which aims to promote competition between large suppliers and small and medium-sized enterprises by limiting the shelf space for the former's products to 30%.

Macri's presidential victory led to a dramatic change in Argentina's trade policy. Even before scrapping the currency controls, the government cut the agricultural export tariffs that had turned much of Argentina's farming community against the Fernández de Kirchner government. The measure facilitated the import of capital goods and technology necessary for capital-intensive production, but met with widespread opposition from local business groups, trade unions and politicians. In response to the contraction of the Argentine economy and the sliding currency in 2018, Macri announced new export taxes and drastic spending cuts on September 2, 2018, in an emergency program to balance the 2019 budget. Meanwhile, his center-right government aimed to persuade the IMF to accelerate a \$50 billion credit program. The simple average MFN applied tariff was 13.5% in 2019. According to the Global Competitiveness Report 2019, Argentina ranked 124th worldwide (out of 141 countries) in the category of "trade tariffs," and 111th in the category of "prevalence of non-tariff barriers."

The Peronist government responded to the COVID-19 outbreak beginning in March 2020 with some restrictions on imports and exports during the public health emergency. Prior authorization was required for the export of supplies and medical equipment needed by the country to deal with the pandemic; export refunds were accelerated for industrial companies; taxes on imports of critical inputs were eliminated; and the statistical fee was waived. The most controversial measure with regard to trade issues was the increase in export taxes on soybeans from 30% to 33%. This was seen by the opposition as an attack on a sector that generated the most foreign exchange revenue and sparked massive protests from the agricultural lobby. The negative trend in the terms of trade strengthened in 2020. The pattern of trade specialization remains concentrated in sectors associated with primary products and standardized industrial processes, usually with limited differentiation of products and processes, and with a clear dependence on foreign capital goods and components.

Liberalization of
foreign trade

7



Argentina has a relatively small financial system. The banking system and capital markets are relatively well differentiated, but foreign banks are the only ones that are internationally competitive and meet international standards. Supervision of the financial sector is carried out by the central bank (BCRA), the Superintendency of Financial and Foreign Exchange Institutions (SEyC) and the Superintendence of Insurance (SSN). Despite the increased independence of the central bank during Macri's term, the financial sector remained exposed to government influence. Twelve state-owned banks accounted for over 40% of the balance sheet, and the presence of foreign banks has declined. In 2019, the bank capital-to-assets ratio was satisfactory at 13.9%, slightly above the decade's average. However, non-performing loans, which had been below 2% of total gross loans since 2011, rose to 3.1% in 2018 and 5.7% in 2019. For his part, President Fernández has relied on a rather heterodox economic policy that – aggravated by the pandemic – has put the banking sector under enormous pressure, including massive capital outflows and the subsequent imposition of capital controls by the government.

8 | Monetary and fiscal stability

Although the Argentine central bank (BCRA) was nominally independent, it came under increasing pressure during the Kirchner era. After the change of government in 2015, the central bank became de facto more independent, but the planned legislative change for operational independence did not materialize. Currently, the central bank is again financing the treasury.

After two runs on the peso in the first half of 2018, which halved the currency's value against the dollar, acting on advice from the IMF, the central bank introduced a crawling-peg exchange rate regime in October in an attempt to restore confidence in the currency and pull the economy out of an expected 2.5% recession in 2018. At the same time, the government stepped up its efforts to eliminate the budget deficit by 2019 and stopped borrowing from the central bank. The peso was allowed to float freely within an exchange rate band or no-intervention zone of between ARS 34 and ARS 44 per dollar but underwent daily adjustments. (Neither World Bank nor ECLAC provide data for Argentina's real effective exchange rate index.)

The first month of the Fernández administration was dominated by fiscal and monetary policy initiatives aimed at addressing the budget deficit, stabilizing the peso and providing respite to those who were feeling the effects of the economic difficulties most keenly. These measures provided short-term relief for some but did not solve Argentina's long-standing inflation problem. After an inflation rate of 52.9% in 2019, 2020 closed with an annual rate of 35.2%. But behind this figure were conditions prompting alarm. This is especially true in the short term, as price increases in early 2020 were only dampened by the effects of the pandemic and austerity measures intended to prevent the spread of COVID-19. These led to a decline in consumption, a deepening of the recession, and some official measures to contain prices during the emergency (freezing of public tariffs and prices of some food products).

Banking system



Monetary stability



Having inherited a dismal macroeconomic situation with huge fiscal deficits, a key priority of the Macri government was to attack the unsustainable fiscal situation and establish a more solid, stable and transparent fiscal system. In 2017, a law on fiscal responsibility was passed. Additionally, the budget for 2019 included an effort to streamline the public administration by downsizing, merging or eliminating a dozen cabinet ministries; slashing all non-essential spending; and restricting spending on public works projects to those already begun – all this with the aim of enabling the government to balance the budget and reducing the fiscal deficit to zero in 2019. In fact, the deficit fell to 4.0% of GDP, from 5.6% in 2018. Total public debt rose from 86.4% of GDP in 2018 to 90.2% in 2019 (ECLAC data).

The December 2019 Emergency Economic Law increased tax deductions, created a new tax on the purchase of dollars, and suspended the application of the pension mobility formula, all while giving President Fernández the power to decide on future tax increases by decree. In practice, this contracted the campaign promise about raising revenues. In 2020, the public sector ended with a primary deficit of more than 7% of GDP, a record since at least 1975. The pandemic prompted the state to increase spending to strengthen the health system, support people who could not work because of the quarantine, and support companies to prevent their decapitalization and ensure the preservation of jobs. According to IMF estimates, Argentina spent about 6% of GDP on relief measures, although budgetary constraints and a lack of access to capital markets hampered plans. In addition to tax measures and pension- and retirement-system adjustments, financing for the measures largely came from a very large issuance of money. Public debt in 2020 rose further to 104.5% of GDP.

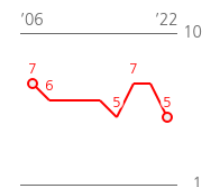
9 | Private Property

Property rights and the regulation of property acquisition, benefits, use and sale are defined in principle, but practical enforcement in accordance with the rule of law is problematic due to deficiencies in the judicial and administrative system, government interference and corruption.

Thanks to the implementation of broad reforms by the Macri government, there were signs of improved protection of property rights and reduction of state intervention, though patent protection remains an ongoing problem. The International Property Rights Index 2020 ranks the country 79th out of 129, the same rank as in 2019 and 2018, with a score of 5.11 (2019: 5.11; 2018: 5.02) on a scale from zero to 10. Fernández' plan to expropriate the financially troubled grains exporter Vicentin was finally put on hold in July 2020 and declared by Fernández himself to be a “mistake.” He insisted that he was not a “madman with an expropriations checkbook” as portrayed by some of his opponents. The Global Competitiveness Report 2020 ranks Argentina 85th out of 141 concerning intellectual property protection. According to the U.S. 2020 Investment Climate Statements, a key shortcoming of the legal framework for patents is the inappropriately broad limitations imposed on patentable items, particularly in the pharmaceutical sector.

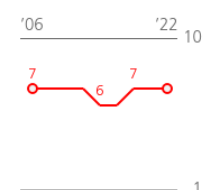
Fiscal stability

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Property rights

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Private companies are institutionally seen as important engines of economic production but are sometimes not adequately protected by existing legal safeguards due to lengthy legal proceedings. The World Bank's Doing Business 2020 report ranks Argentina 97th out of 190 economies in terms of contract enforcement, primarily because it takes an average of 995 days to enforce a contract. The 1991 State Reform Law privatized large parts of basic industries, infrastructure and other public services. In response to the lack of investment by foreign companies, the Kirchner governments reversed the privatization trend of previous years, revoking some concessions and nationalizing some public services. Macri removed many of the obstacles introduced under the Kirchner governments and returned to the previous private-sector-friendly framework, albeit with a gradual approach and without (re)privatizations. With the return of the Peronists to power, the pendulum has swung back toward greater state intervention, or at least a corresponding climate. This has also affected foreign direct investment (companies such as Amazon, General Motors and Nike seem to want to freeze their investment plans).

Private enterprise

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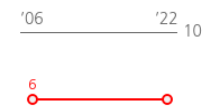
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10 | Welfare Regime

Social safety nets are developed to some degree, but do not cover all risks for all strata of the population. Argentina has a mixed and rather fragmented welfare system. The health care system includes public, private and corporate entities, with a strong corporate sector (the trade unions' "obras sociales"). The overall level of public expenditure on health was the third-highest among BTI countries, totaling 6.6% of GDP in 2017, but this figure decreased to 5.9% of GDP in 2018 (#6). Since renationalization of the private system in 2008, the pension system has been a state-run, pay-as-you-go scheme. In addition, there are also basic provisions for unemployment, disability, sickness and maternity benefits. Non-citizens have access to social safety nets.

Social safety nets

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Argentina is by law in a food emergency until 2022. In September 2019, under pressure from thousands of piqueteros demonstrators, the Senate unanimously approved a 50% increase in the amount of funds the state provides for soup kitchens. Faced with the worsening of the recession at the end of 2019, the Ministry of Social Development introduced the Alimentar Card (under the Integrated Plan "Argentina Against Hunger"). This card works in combination with the Universal Allowance per Child (AUH) and can only be used to purchase basic food items. In December 2019, a package of laws was approved to prevent a major deterioration in social conditions. The government announced a pension freeze and a package of additional measures. Given the large gap that exists between minimum pensions and privileged pensions, the executive branch submitted a bill to cut these very high allowances.

To mitigate the effects of the pandemic, the government launched various programs, for example the Emergency Family Income (Ingreso Familiar de Emergencia) for unregistered workers; an extraordinary bonus for AUH and pregnancy beneficiaries,

pensioners and retirees; a productive recovery program to maintain the income of formal workers in productive sectors; and a reduction in employer contributions. In 2020, 55% of the population was covered by some social program for income transfer and food assistance. Data from the Institute for Social Development of Argentina (IDESA) indicate a variety of plans at the three levels of government with similar functions, and with beneficiaries repeated in many of them.

Institutions and programs designed to compensate for gross social differences exist but are highly dependent on political cycles and are limited in scope and quality. Electoral lists for national legislative office must have equal representation. As of the most recent elections in 2019, Argentine women hold a combined 41% (2015: 39.5%) of the seats in the upper and lower houses of the parliament. The proportion of women in ministerial level positions in Argentina was reported at 22.73% in 2019.

An economic plan published by the Macri government in June 2018 included a paragraph about gender equity, promising to reduce disincentives for women, push projects for equal wages, achieve a more balanced system of maternity and paternity leave, and require entrepreneurs to publish yearly figures about the gender balance in its directorates. The plan also promised the creation of initiatives combating domestic violence and support networks for victims of domestic violence. Although Macri opposed the legalization of abortion and stricter laws against femicide, Congress legalized abortions up to the 14th week of pregnancy in December 2020.

In the Global Gender Gap Report 2020, Argentina was ranked 30th out of 153 countries with a score of 0.746 (2016/17: 0.735). The country ranks 103rd for economic participation and opportunity, 64th for educational attainment, first for health and survival, and 22nd for political empowerment. Women made up 42.9% of the overall labor force in 2020. A total of 64% of the Argentine labor force aged between 25 and 64 has at least some secondary education (male: 62.8%; female: 64.8%). The ratio of female to male enrollment is 1.0 at the primary and secondary levels, but 1.4 in favor of women in tertiary education. Gross enrollment rates are high at all education levels.

Non-citizens work mostly within the informal sector, which has been disproportionately affected by the pandemic. They have access to free health care and education, and face essentially the same conditions as poor citizens in the informal sector but have fewer resources to defend themselves by appealing to the law.

Equal opportunity

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6 7

Year	Score
2006	6
2010	7
2022	7

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11 | Economic Performance

The country's economic performance has declined significantly since 2012, a consequence of the difficult international context, economic policy mistakes and – since March 2020 – the effects of the pandemic.

In 2020, GDP per capita decreased for the third consecutive year, by 11.5%, after previous declines of 3.5% in 2018 and 3.0% in 2019. Economic activity contracted by 12.6% year-on-year in the first half of 2020, due to the decrease in investment (-28.7%), private consumption (-14.5%), exports (-8.7%) and public consumption (-5.5%). The unemployment rate increased to 11.3% in 2020 (9.8% in 2019; 8.5% in 2017), with the largest jumps seen among young people aged between 14 and 29. While the budget deficit had narrowed from 5.6% of GDP in 2018 to 4.0% in 2019, the primary deficit reached over 7% of GDP in 2020. Public debt increased from 86.4% of GDP in 2018 to 90.2% in 2019 and soared to 104.5% of GDP in 2020. Inflation rates remained high; after a rate of 52.9% in 2019, it closed 2020 at 35.2%.

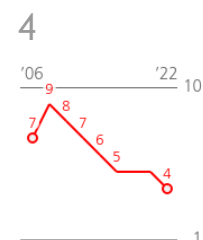
Foreign trade was affected in 2019 and 2020 by lower levels of Chinese demand and the recession in Brazil. Many SMEs were or are on the verge of bankruptcy due to the removal of import restrictions and a lack of competitiveness. Due to the successive crises and shrinking trade volumes (especially imports), the current account deficit initially narrowed from \$27.0 billion in 2018 to \$4.0 billion in 2019; in 2020, there was a trade surplus of \$3.2 billion.

12 | Sustainability

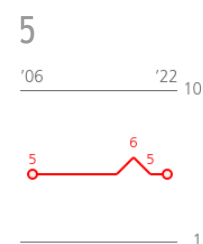
Argentina faces significant challenges with regard to preserving its natural environment. Though the goal of sustainable development was incorporated in Article 41 of the 1994 constitution as the “polluter pays” principle, environmentally compatible growth receives only sporadic consideration and has a weak institutional framework. Public environmental awareness is still underdeveloped, and punitive measures for infringements are more an exception than the rule.

Macri's environmental policy was distinguished by the creation of a new Ministry of the Environment and Sustainable Development (MAyDS). However, this was in practice a big-business-friendly environmental policy that favored large farmers and grain traders. The government published two State of the Environment reports with ambitious targets, but these remained largely in the realm of theory. In 2019, the government published two decrees that amended past decrees on renewable energies in order to update the regulatory framework on renewable energy production and reassess the thresholds for related incentives.

Output strength



Environmental policy



In January 2020, President Fernández presented an Environment Policy Plan in which he pointed out the damage caused by the production systems of large companies that ignored environmental protection laws. The plan includes a large number of draft laws and bills, including the Federal Plan to Eradicate Open Dumping, the Environment Education Bill, the implementation of the Common Home Plan (municipal agroecology projects), and the passage of the National Program for Fire Prevention and Management to the Ministry of Environment. Critics regard these plans as insufficiently comprehensive; in any case, it remains to be seen whether and how they will be implemented.

The Climate Change Performance Index (CCPI) 2020 ranks Argentina 42nd (out of 61), leaving it in the list of low performers. The country's Greenhouse Gas Emissions rank is 51, as emissions are still at a comparably high level. Furthermore, the country continues to receive a low rating in the category of renewable energy, and a medium rating in the category of energy use. The country is deemed to have shown an overall medium-quality performance in the climate policy category. Expenditure on environmental policy in Argentina is increasing but absolute levels remain low.

Education policy provides for a nationwide system of sound education and training, but the research and technology sector show patterns of weakness alongside strengths. Argentina has the highest net enrollment ratio at the secondary level (88.2%) in Latin America, but its education system produces far fewer university graduates as a percentage of the population than do those in neighboring Brazil or Chile. The dropout rates at the secondary and university levels are high. Argentine students also perform poorly in comparative tests such as the OECD's Program for International Student Assessment (PISA) study. Transnational educational exchange in Argentina is growing but is still relatively narrow and hampered by legal constraints. Access to early childhood education and childcare is less widespread among two- to three-year-olds than in Brazil and Colombia.

There are notable regional disparities in Argentine's education system between rural provinces and urban centers. The country presently has one of the most decentralized education systems in the region. The structures necessary for efficient school-system administration have been developed in only a few provinces, and the widening quality gap between rich and poor provinces is disturbing. Still, in 2019 Argentina ranked first in the region in the UN Education Index, with a score of 0.855 – clearly above the regional average of 0.697 – and the country also has a high literacy rate (99% in 2018).

According to the Global Competitiveness Index 2019, government spending on education amounts to 5.5% of GDP. The education system was ranked 60th out of 100 countries (2017/18: 102 out of 137) in terms of quality, and the country's R&D spending was ranked 52nd out of 100, which is still low (0.5% of GDP in 2017) and an insufficient basis for increased competitiveness. The COVID-19 pandemic had a serious impact on the education system. The government imposed a lockdown and

Education policy /
R&D

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closed schools across the country beginning on March 16, 2020. By the end of the review period, only two weeks of in-person classes had been held. The government faced difficult decisions on how to allocate resources, as government funds were mainly allocated to the economy, the health sector and aid programs for the poorest. According to UNICEF, 18% of Argentine youth do not have internet connections at home, and 37% do not have access to a computer to do their homework.

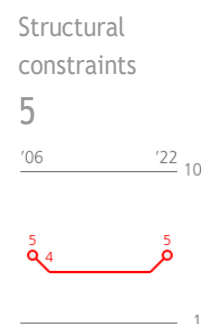
Governance

I. Level of Difficulty

Structural constraints on governance, which were moderate during the “golden years” of growth (2003 – 2011), have increased slightly but persistently since 2012. The main structural constraints stem from Argentina’s weak economic position and its no more than passive integration into the global economy. The golden years were not used to turn the economy away from an extractive development model with a fixation on agricultural and raw material exports, or to diversify the production structure in any substantial way; nor were the country’s full budget coffers used for noticeable increases in expenditures on research, development and innovation. Governance failures accumulated over decades are themselves a kind of structural constraint on current governance options.

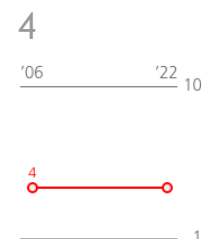
Due to the unfavorable integration into the world market and the resulting high dependency on global demand, a number of recent developments have joined together to create a difficult scenario. A recession in Brazil, Argentina’s most important trading partner, combined with the strength of the U.S. economy, has led to a withdrawal of capital. In addition, decreasing economic growth rates in China have reduced the demand for soybeans, a major export product for Argentina. Moreover, the European economy, which represents an important export market for Argentina’s agricultural products, has experienced a set of internal troubles since 2018 (Brexit, recession in Italy, populism), compounded since March 2020 by the economic and social impacts of the COVID-19 pandemic.

In this context, poverty rates are still high and informal economic practices widespread in urban areas, while the education sector has been underfinanced and has lacked coherence for years. The impact of the pandemic dramatically exacerbated economic and social difficulties at a critical time when cumulative policy failures have brought the country (once again) to the brink of financial collapse. GDP per capita had fallen by 11.5 % by the end of 2020, a setback to (at least) 2009 levels, and poverty continued to rise to levels unseen since 2002. Argentina ranks among the 25 countries most affected by the pandemic. As of January 31, 2021, it had registered about 1.93 million coronavirus cases (with a rate of about 4,000 per 100,000 population, comparable to Italy) and almost 48,000 deaths (more than 1,000 per 1 million population).



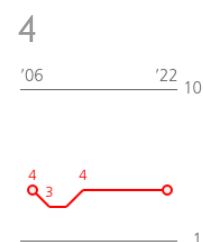
Argentina has a fairly strong civil society tradition, but levels of interpersonal trust and social capital are rather low. NGOs are generally robust and play a more substantial role in society than in politics. Strong trade unions and worker's associations have played a crucial part in civil society's vibrancy, along with human rights, feminist, indigenous and rural movements, among others. Civil society organizations, particularly human rights groups such as the Madres de la Plaza de Mayo, played an important role during the transition period from authoritarian to democratic governance. However, with the strengthening of the two major political parties, the PJ and the UCR, civil society organizations' political influence and clout have diminished. Nowadays, civil society groups are very fragmented and their objectives somewhat diffuse. NGOs also play an important role with respect to monitoring, influencing and in some cases obstructing government decisions on a wide range of issues. In spite of adverse economic conditions, the country witnessed an unexpectedly orderly change of government in 2019. The lockdown imposed by the government in response to the pandemic significantly reduced the scope for civil society articulation in the public sphere in 2020.

Civil society traditions



Conflict intensity remained moderate throughout the review period. Growing protests – including street blockades – during the Macri years were mainly a consequence of economic pressure caused by inflation, unemployment, public insecurity and violence. Trade unions, civil society groups and even small business organizations renewed their mobilization by opposing the public transport and energy tariff increases, the government's general economic policy, and its deal with the IMF. Heightened social conflict has been increasingly met by police repression in both urban and rural settings. At the same time, the judiciary has increasingly imposed criminal penalties on demonstrators and people recording protests, and on members of labor and social organizations generally.

Conflict intensity



During the first year of the Fernández government, a number of rather diffuse and isolated protests were held. Some conflicts occurred when authorities evicted indigenous peoples from ancestral lands then under private ownership. In the province of Rio Negro, for example, Mapuche groups occupied state-owned land in 2020. In November 2020, in cooperation with the governor of the province, the national government reacted by creating a process of dialogue as an instrument designed to resolve the conflict peacefully. The large-scale demonstrations in major cities on August 17 were not solely a sign of impatience with the lockdown or the “cuareterna” (a portmanteau conflating “quarantine” and “eternal”), but also a rejection of Fernández's judicial reforms, which are viewed by many as an attempt to shield Vice President Cristina Fernández from prosecution on charges of corruption.

II. Governance Performance

14 | Steering Capability

Basically, political actors are committed to democracy and the market economy. This provides for social progress, but – as explained in the “Consensus on goals” section – there are deep-rooted differences with regard to specific institutional arrangements and strategies. Given Argentina’s almost unending cycles of economic crisis, there has been a general tendency by political and social actors to reach agreement through short-term deals. This has long undermined the ability of public institutions to enforce a long-term commitment to reform that extends beyond individual electoral cycles.

This pattern was again evident during the period under review. While the liberal-conservative government of President Macri (2015 – 2019) engaged in an almost complete policy turnaround as compared to Cristina Fernández’s previous Peronist government, another turnaround took place after the 2019 elections under new President Alberto Fernández (with Cristina Fernández now serving as vice president). While both governments set strategic priorities, both also had considerable problems in prioritizing and organizing their policy measures accordingly, especially with regard to the hierarchy of policies, their appropriate sequencing and the need to account for interdependencies.

It cannot be denied, however, that Macri set clear strategic priorities concerning sound market-economy reforms and reforms to strengthen the rule of law, one of Argentina’s other perpetual problems. He established new institutional and legal arrangements to prevent corruption and used sufficient flexibility in implementing a package of economic measures that entailed a mix of shock therapy and a gradual strategy. The agreement with the IMF included clear objectives and obligations for both sides, and envisaged a set of institutional reforms. For all this, Macri drew on foreign expertise and was able to rely on a cabinet that consisted mostly of technocrats. In addition, his administration placed the production of good-quality government data and data sharing at the core of government activities. However, given the downward spiral of the economy on all fronts since 2017, the government’s policy increasingly lost coherence, with coordination of its priorities waning, and it was forced to take a \$57 billion IMF loan in 2018.

President Alberto Fernández, a moderate Peronist, had also firm strategic priorities, though it was unclear from the start whether they were genuinely long term, given the veto power wielded by his left-wing vice president. On the economic front, priority was given to restabilizing the economy and cushioning social hardships; while promising to respect the IMF loan conditions, he also sought to negotiate a debt

Question
Score

Prioritization

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restructuring. His priorities were less clear in the areas of political and social transformation but included – as Fernández said in his inaugural speech – “a comprehensive reform of the justice system” to enhance its independence and integrity, and a commitment to legalizing abortion.

Barely three months after Fernández took office, the spread of the COVID-19 pandemic and the strict subsequent lockdown placed new stress on the economy and government decision-making processes. Most government action focused on short-term ad hoc measures aimed at maintaining a minimum of economic activity and avoiding economic and social collapse. The government has continued to pursue projects such as judicial reform and the legalization of abortion, although these have been delayed.

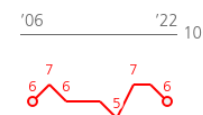
The relatively low quality of government institutions – including the executive, legislative, judicial and state bureaucracies – has also undermined governments’ strategic capacity for long-term planning. Though this is truer of Macri than Fernández, governments have relied in part on external expertise – for example, the expert commission on the reform of the judicial system – and strategic planning units. According to a 2019 OECD study, the country was supposed to be in the early stages of implementing its regulatory policies; however, actual data from 2019 suggest that regulatory impact assessments have not yet been conducted in practice.

After two years of relatively successful implementation of some economic reforms under Macri, the environment changed in 2018. In response to repeated discrepancies between inflation rates and negotiated wage agreements, as well as to the \$57 billion deal with the IMF that included a stricter primary budget deficit target as well as pension and labor reforms, opposition from powerful unions intensified, increasingly impeding agreements between the government and organized labor.

Inheriting an economy that had been in recession for two years, and additionally confronted with the effects of the pandemic, incoming President Alberto Fernández also had great difficulty implementing some of his favored policies. In his first 100 days, he was relatively successful in managing the COVID-19 pandemic. On the economic front, the most salient measures he implemented were a bill in Congress that approved a package of economic measures, including new taxes; a restructuring of foreign debt with bondholders and initial steps toward debt restructuring with the IMF; a crusade against the “agents of price formation;” the introduction of the “Alimentar Card” as part of the Argentina Against Hunger program; a legislative package benefiting pensioners; a bill to decriminalize and legalize abortion; measures to mitigate the social impact of the COVID-19 pandemic; and, in the area of foreign policy, the maintenance of his predecessor’s reopening policy. Fernández was also able to count on the support, or at least tolerance, of his policies by a majority of provincial governors.

Implementation

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Several of Fernández' policies were by contrast more controversial, partly blocked in Congress or lacked the necessary majorities. This group included a proposal for higher taxes on agricultural exports; attempts to close the gap between the official and free-market exchange rates; and efforts to address the economic and social impact of the COVID-19 pandemic. Partial successes included a reduction in the inflation rate from 53% at the beginning of Fernández's term to 37% at the end of the first year, and portions of the judicial reform. Fernández's attempts to build bridges within the coalition, work with other moderate political forces and include the radical Peronists had largely failed as of the end of the review period.

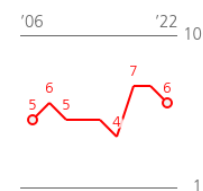
Policy changes result partly from policy learning, but often also from the sheer necessity to adapt. The records of the Macri government and the Fernández government (at least during the first year) in terms of policy learning are mixed.

Macri's policy style was very different from that of his predecessor. Because of his business background, Macri showed a tendency to seek advice before acting pragmatically. He preferred dialogue to confrontation and polarization, built bridges, adapted policy proposals, and changed personnel when it seemed necessary. This style of politics, an example of fundamental learning and a contrast to the usual zero-sum games in Argentine politics, helped achieve some successful agreements and mediate conflicting interests, but ended in the 2019 election year. The deeper reason for Macri's electoral defeat was his miscalculation that he would succeed with a relatively simple neoliberal program. He also misjudged the global situation, which was characterized by declining growth, falling demand for raw materials and increasing protectionism.

In this respect, President Alberto Fernández had a more realistic view. He was able to reach a first agreement on restructuring Argentina's debt in August 2020, and a second in September of that year. In addition, the government began negotiating a new agreement with the IMF and improved relations with neighboring Brazil. In March 2020, the government imposed strict quarantine measures that kept mortality rates rather low. However, beginning in July 2020, the number of confirmed cases and deaths began to increase significantly. President Fernández also ignored warnings about the lack of testing and screening, and did not listen to calls to relax the quarantine, which was one of the world's longest, or to open schools on a flexible schedule.

Policy learning

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15 | Resource Efficiency

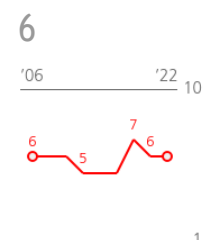
One of the Macri government's priorities was to attack the inherited and unsustainable fiscal situation, and try instead to establish a more solid, stable and transparent fiscal system. At the end of his term, the budget deficit was only 0.95% of GDP. However, 2020 closed with a primary deficit of over 7% of GDP, a record since at least 1975. Public debt increased from 86.4% of GDP in 2018 to 90.2% in 2019 and 104.5% in 2020. A key fiscal stabilization measure during the Macri years was the substantial reduction in the number of public sector employees. Notwithstanding this progress, many public sector jobs remained in the hands of patronage networks during the years of the Macri administration. However, at the top level, the erratic and sometimes abrupt personnel changes that had been very common in previous years became less common at the federal level.

Instead of closing Argentina's gaping budget deficit, the Alberto Fernández government returned to an economic model that relied on state spending and subsidies to boost domestic consumption. The new government moved to expand the money supply, contrary to the government's ostensible interest in fighting high inflation. A few days after taking office, Congress, at the request of the executive branch, passed the Economic Emergency Law, which among other things increased the scope of tax deductions and imposed a new tax on the purchase of dollars. In response to the pandemic, the state increased health care spending, provided support to people who could not work because of the quarantine, and also offered support businesses with the aim of preventing decapitalization and ensuring the preservation of jobs. According to IMF estimates, Argentina spent about 6% of its GDP on relief measures, although budgetary constraints and lack of access to finance limited the overall scope of the schemes.

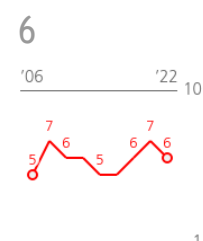
Budget planning is not transparent. The budget is designed with full knowledge that its goals will not be met, and auditing processes are poor. When unjustified expenditures are discovered, there are no recognized sanctions. One example has been the excessive prices paid for foodstuffs by the Ministry of Social Affairs; while these practices have been uncovered, there have as yet been no sanctions levied against those responsible.

The presence of a governing coalition with a rather low and diffuse ideological profile, and of a cabinet of experienced technocrats without close links to party factions were important resources for policy coordination under Macri. Despite a strong nationwide support base and the partial success of Macri's strategy of building bridges, however, Macri failed to coordinate his individual reform steps effectively at the bureaucratic level. Nor was he able to eliminate contradictions or get his team to act in a concerted and transparent manner. Responsibilities were not always assigned transparently to as to avoid redundancy and friction between the branches

Efficient use of assets



Policy coordination



of government. Some members of the government complained of an overloaded agenda, the lack of clear prioritization on many issues, a lack of coordination and a failure to monitor results.

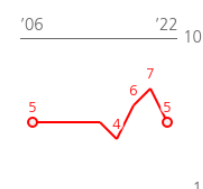
Fernández also promised a spirit of cooperation; and indeed, this was initially maintained, as he won the support of opposition deputies for his emergency measures in December 2019. However, the new president's central problem during his first year in government was that the real opposition was located within the Peronist coalition, emanating primarily from the radical faction around Vice President Fernández and her son Máximo. They repeatedly blocked or delayed presidential initiatives that did not coincide with their own power interests (and in Vice President Fernández's case, with the desire to avoid further corruption prosecutions); in some cases, they wanted to replace them with their own, usually more radical versions. This internal disunity within the coalition was also reflected in the cabinet and often thwarted the president's repeated attempts to coordinate government action. This also affected efforts to build bridges with moderate forces outside the Peronist coalition, with the goal of broadening the democratic legitimacy of government decisions and building confidence, which was especially important for negotiations with external partners.

One of the most damaging legacies of Cristina Fernández's presidency was the presence of endemic corruption, which was rarely investigated. President Macri made the fight against corruption one of his political priorities, and he created new institutional and legal regulations to prevent corruption. In 2017, a long-awaited Access to Information Law went into effect. The law established the Access to Public Information Agency (AAIP), through which citizens can request information from government agencies. Other measures include the Corporate Criminal Liability Law and the Asset Seizure Regime, which aims to confiscate property from those convicted of corruption; according to Infobae.com, the Attorney General's Office seized 8,701 assets worth more than ARS 12 billion (about \$60 million) in 2020. In addition, the judicial definition of repentance in corruption and organized crime cases has been expanded.

In principle, Argentina has a transparent public procurement system. Information about procurement campaigns and contracts for goods and services are published on the state's electronic public procurement portal, Compr.ar. However, use of this service is not mandatory for all government entities, but rather optional for those that wish to do so. If it is used, certain phases are published: the invitation to tender, the sending of the invitations, the receipt of the offers and finally the comparison table. In cases where this tool is not used, the administrative act concluding the procedure must also be published on the website of the National Procurement Office. However, a report by the NGO Red de Organizaciones Contra la Corrupción on procurement transparency during the pandemic showed that only portions of the required information have been published.

Anti-corruption
policy

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In June 2019, Congress passed the Political Party Funding Regime, which makes several changes intended to enhance the transparency of party funding. According to a Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC) report, key changes include: eliminating cash as a payment method for donations; lifting the ban on donations by legal entities to campaigns, thus allowing financial and commercial companies, civic associations, foundations, and cooperatives to donate while preventing unions, employer associations and professional associations from doing so; establishing more realistic campaign deadlines; advancing election advertising regulations for social media and digital platforms; and making more resources available for judicial oversight. In addition, donors must provide a sworn declaration that the donation does not violate the law, inheritances and legacies are now accepted as a source of private funding, and individuals or companies under ongoing criminal investigation for acts contained in the Criminal Tax Code may not make contributions or donations to political parties.

However, CIPPEC also warns that the fundamental nature of party financing has not changed, as monitoring continues to take place after the election, parties are not required to account regularly for their revenues and expenditures, and there is no monitoring of their ordinary and campaign activities. Therefore, according to CIPPEC, the logic is still to collect and spend, and see how it can be accounted for later.

As head of the Anti-Corruption Office, the Alberto Fernández government appointed an active member of the Justicia Militante group, a well-known militant Kirchnerist who, upon taking office, abandoned the role of prosecutor that the agency had assumed in cases of corruption by public officials. In this regard, Transparency International President Delia Ferreira Rubio pointed to two government motives: specifically, to guarantee impunity in both the Cristina Fernández government corruption cases and for COVID-19-related contracts. “The state of emergency was used as a justification to weaken the oversight mechanisms” (translated quote from La Nación, January 1, 2021). The latter also applies to the General Audit Office of Argentina, which is in any case capable of only limited action due to its politicization and seemed overwhelmed in view of the immense nontransparent social expenditures during the pandemic.

16 | Consensus-Building

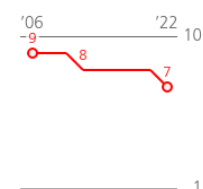
All relevant political actors agree that consolidating democracy should be one of Argentina's development goals. However, there exist two different concepts of democracy. The current minority parliamentary opposition and the moderate PJ faction understands democracy as a liberal, representative and republican order with separation of powers. By contrast, the radical Peronists hold a populist, authoritarian concept of "direct democracy," with the fusion of the three powers in an executive that claims to embody the majority will of the people, and which legitimizes itself through elections. Beyond these differing concepts, ideas about the obstacles encountered and the strategies that should be applied to achieve maintain democracy vary considerably. In addition, the different political and societal forces have different ideas on how to eliminate defects in democracy, on the value of various institutions and on how they should be strengthened. Until 2015, this conflict between the two understandings of politics, democracy and economy was fought out between the government and the opposition. However, since the change of government in 2019, it has shifted into the governing coalition itself; now, the vice president represents the radical version, while President Fernández has tried, albeit rather cautiously, to take into account insights and experiences from both conceptions in his political actions.

All relevant political and economic actors agree that the consolidation of a prosperous market economy should be one of Argentina's long-term strategic development goals, but ideas about its form and the strategies to be used vary. Macri advocated a neoliberal economic concept, tempered by an assistentialist social policy, and relied on a cabinet of experts. Left-wing Peronists, a significant portion of the country's trade unions and the non-Peronist parties of the center-left favor a national development strategy under the slogan "autonomy and sovereignty." Their preferred strategy would be based on a strong, consumer-oriented internal market and protections for local industry. Center-right parties, export-oriented local and international firms and unions, and the agricultural sector favor a world-market-oriented, open-economy strategy aimed at Argentina's comparative advantages, paired with strong investments in science and technology to strengthen competitiveness.

Today there are no relevant veto actors left with an explicit anti-democratic agenda. The military has been under civilian control since the Menem era. No trade union has resorted to violence as a strategy or is motivated by anti-democratic ideologies. On the other hand, Argentina's trade unions have never had a tradition of defending democracy as a political regime. The power of the strongest trade union organization, the CGT and its leader Hugo Moyano, increased during the Cristina Fernández's government, but has decreased since that time, and was partly neutralized by competing, government-friendly trade unions. Attempts under Moyano's leadership to impose anti-market strategies by illegal and even criminal means have not been

Consensus on goals

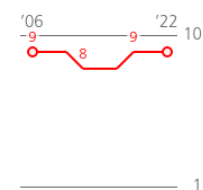
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Anti-democratic actors

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repeated under the Macri or Alberto Fernández governments. Informal power games within and between party factions, corporate actors and social movements remain primarily issue-oriented and directed toward the preservation or attainment of power, but do not question the democratic order. This also applies to the first year of the Fernández government, in which the fight against the pandemic led to restrictions on civil liberties, but without a rise in anti-democratic forces or violent eruptions.

The central cleavage in Argentina is neither religious nor ethnic, but socioeconomic with political connotations, and with a high degree of (sometimes populist) polarization between Peronist and anti-Peronist groups, and sometimes also inside Peronism. Despite the presence of severe economic and social problems that have repeatedly ended in conflict, the governments of Macri and of his successor Fernández have prevented cleavage-based conflicts from escalating, but with different degrees of success. One of Macri's priorities was to replace the old policy style of confrontation and exclusion with dialogue between the government and potential allies. He tried to build bridges and form ad hoc issue-oriented coalitions through the use of incentives, with the goal of winning parliamentary support for structural reforms, closing gaps between the government and parts of society, and restoring lost confidence.

Alberto Fernández pursued a similar strategy of moderation, bridge building and ad hoc alliances, but repeatedly faced attempts at blockade, vetoes or filibusters initiated by his vice president and her radical followers in the government and in Congress. This eventually forced him to cut back on his plans, postpone decisions, subordinate himself to the radical Peronist left wing under Cristina Fernández's leadership, adopt a more radical position and even capitulate.

Since the return to democracy, relations between the government, organized labor, business groups and civil society organizations had largely been managed through neo-corporatist arrangements that moderated distributive struggles in an increasingly open economy. This neo-corporatist strategy came to an end with Macri's radical opening policy. Macri took civil society demands into account and searched for allies for his reform measures but did not assign an important role to civil society actors or other broader channels for participation. With the deepening of the economic crisis in 2018, paired with cases of violent police responses to public gatherings and increased judicial prosecution of activists, the degree to which civil society actors have participated in the political process was reduced.

This changed gradually under the new Peronist coalition. Alberto Fernández had better relations than his predecessor with organized labor, but a more complicated relationship with companies especially in the export-oriented sector. Lockdown measures restricted the margin of influence of all corporations, as well as the activities of NGOs. Seeking to send a strong signal of support to creditors, Fernández relaunched the Economic and Social Council, which includes representatives of all economic and financial sectors in the country. The stated aim was to lay the foundations for a new social agreement to rebuild the national economy.

Cleavage /
conflict
management

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Civil society
participation

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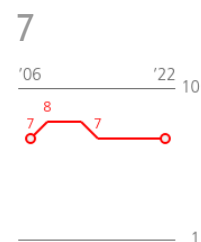
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Despite recurring obstacles, reconciliation regarding the “proceso” (i.e., the 1976 – 1983 military dictatorship) is fairly advanced, but inconsistencies continue to emerge. The judiciary continues to prosecute crimes committed during that period, including the 2019 trial of San Juan provincial police accused of state-sponsored terrorism. But there has been little progress in prosecuting perpetrators in the civil, economic or legal sectors. On several occasions, there has been friction over the “appropriate” prosecution of human rights violations under the dictatorship; left-wing forces have proposed focusing on state and economic elites, while right-wing forces have sought to include the (Peronist) far-left forces of the time. Still, the judiciary is continuing to investigate the roughly 500 cases of kidnapping and illegal adoption of the children of imprisoned dissidents, with slow but significant results.

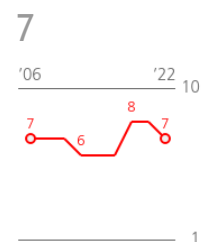
Reconciliation



17 | International Cooperation

As outlined in the “Prioritization” and “Consensus on goals” sections, Argentina has long suffered from the lack of a clear development strategy shared by key political, economic and social actors, and which thus could survive beyond a single election cycle (or a government’s term in office). This issue was evident throughout the study period due to the adjustments made by the Macri government and the subsequent turnaround after the 2019 elections. One constant, however, has been the country’s “growth” model, which focuses on exploiting the comparative advantages of a country with abundant natural resources, but which undermines development in the long run and does not allow for active insertion into the international economy.

Effective use of support



As the country receives little official development assistance (ODA), the support of international partners relates almost exclusively to reversing Argentina’s economic malaise. In response to the country’s increasing isolation and the legacy of the second Cristina Fernández government, and in line with his development concept and economic reform program, Macri began his term under the leitmotif of “Coming back to the world.” The conceptual foundations of his reform agenda were the plans “Awakening to the Transformation of Argentina 2015 – 2019” (focusing on fiscal reform, job creation and institutional quality, linked to SDGs 16 and 18) and “Plan A. The Transformation of the Argentine Economy” (outlining opportunities for sustainable economic ventures with high development potential in Argentina).

In practice, however, and in line with the country’s pressing economic needs, Macri’s international cooperation began with a series of opening measures focused on economic issues. These most notably included an agreement with the IMF; efforts to attract foreign direct investment; and the expansion of economic relations with the United States, the EU and China. Both the Macri and Fernández governments used international expertise and sought to adapt external advice, primarily from the World Bank and IMF, but also from additional bilateral aid agencies from the Global North. These were also supplemented under the Fernández government by agencies from

other countries. Nevertheless, Macri's unrestricted policy of openness overestimated foreign willingness to engage substantially in Argentina, and underestimated outsiders' deep-seated doubts that the Argentine government would really succeed in emerging from the crisis, given its fraught history and still-polarized society and politics.

Fernández also pursued a policy of external openness and acceptance of foreign support, although his external relations, unlike his domestic relations, tended to be stamped with ideological elements in addition to his pragmatism. This was a concession to the radical Peronist faction, which maintained its traditional aversion to the IMF and the World Bank and maintained loyalty to radical populist leaders such as Nicolás Maduro, Evo Morales and Rafael Correa. Because of this ambivalence, external supporters found it difficult to discern a clear foreign policy profile for the Peronist government. It is very difficult to make a general judgment about the Fernández government in terms of how effectively international and regional aid had been used by the end of its first year in office, which was marked by the exceptional situation of the COVID-19 pandemic and a long lockdown.

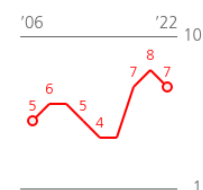
Argentina is a member of or signatory to a large number of international organizations, treaties and conventions. It has signed the Climate Convention, all important human rights conventions, and a number of arms control and non-proliferation agreements. It brought some high-profile cases to the International Court of Justice a few years ago, dealing for example with the Falklands/Malvinas conflict and the pulp mill dispute with neighboring Uruguay. It has participated in UN peacekeeping missions and has been the subject of WTO dispute settlement decisions. Its compliance with these organizations and international agreements was regular and constant during the period under review.

However, Argentina also has a rather poor reputation for reliability in economic matters. The country's past is marked by more than a dozen debt defaults, a vicious cycle of expansion and adjustment policies, high levels of corruption and weak institutions. An additional factor is the country's high levels of inflation and debt, which makes it more vulnerable than other emerging markets to global investors' periodic decisions to pull out of risky assets. Former Health Minister Adolfo Rubinstein considers these weaknesses to be a factor in the government's difficulty in obtaining COVID-19 vaccines, since Argentina is considered an unreliable buyer, and does not have enough dollars to pay for the vaccines in advance, as other countries do. Sources from inside the nation's presidency told Clarín reporters that Pfizer, when negotiating the (ultimately failed) vaccine contract, asked that excessive guarantees be included in the form of government assets. As a result, Argentina is becoming more dependent on Russia and China and their vaccines.

Although Macri repeatedly articulated his commitment to international norms, the liberal and multilateral order, and compliance with existing international agreements, and subsequently gained the trust of international donors and compliance-monitoring

Credibility

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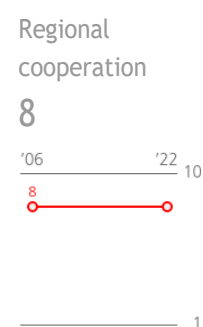


institutions, this acceptance did not translate into substantial concrete commitments. The Peronist coalition government has been able to establish only a mixed relationship of trust with the international community. On the one hand, President Alberto Fernández is seen as a credible and reliable partner by the majority of international partners, thanks to his pragmatism, willingness to compromise and commitment to political dialogue. On the other hand, his vice president, Cristina Fernández, is perceived as being more rigid, confrontational, ideologically fixed and resistant to cooperation, given her repeatedly demonstrated aversion to interference and advice from the capitalist Global North. She is thus viewed as unpredictable, uncooperative and unreliable.

Argentina's political leadership cooperates with all neighboring states and abides by the rules established by regional and international organizations. Macri aimed to make Argentina a leader in regional integration and sought to strengthen relations with the other partners of the Southern Cone, moving away from the Bolivarian axis. Mercosur remained Argentina's main trade agreement and Brazil its main partner, followed by China and the United States. Some irritations in the relationship with Brazil shortly after Bolsonaro's election in 2018 have been settled since Macri visited Bolsonaro in Brasilia in January 2019. After meeting in Buenos Aires in June 2019, the two reaffirmed bilateral ties and signed cooperation agreements in various areas. Both presidents expressed support for a Mercosur trade agreement with the European Union.

The change in foreign policy after the October 2019 elections was limited. Alberto Fernández tried to take a middle position on Venezuela, saying he was "unhappy" with Maduro but also equally unhappy with the anti-Maduro opposition in Venezuela. Fernández' government does not recognize Juan Guaidó as Venezuela's interim president but has criticized the Nicolás Maduro government for human rights abuses. In August 2020, Argentina joined the European-backed International Contact Group on Venezuela. Contrary to expectations, Argentina remained a member of the Lima Group, to the displeasure of the radical wing of the Peronist coalition led by Vice President Cristina Fernández. The president and vice president have sought to create a progressive pole in Latin America, and revitalized regional integration through Argentine support for the so-called Puebla Progressive Group, established in 2019 with the aim of countering the hegemony of liberal forces in the region. However, this initiative has not progressed far to date.

Regarding hemispheric cooperation, the Peronist government is trying to take a "third position" in the geopolitical dispute between China and the U.S., but in reality, the relationship with Beijing is progressing much faster than that with Washington.



Strategic Outlook

Argentina is very stable in its instability, as attempts to effect change of a non-Peronist style have been perceived by most main actors as mere pauses in a populist drift. Overall, Argentina's position is not yet too bad, but the country remains trapped in a persistent structural stagnation that has been mutually reinforced by political, economic, social and international forces. Since the return to democracy in 1983, the country has reinforced the elements of polyarchy, albeit not at an optimal level. However, the Achilles' heel of Argentine democracy has for decades remained the rule of law, particularly an independent and truly functioning judiciary that can serve as an arbiter in the often fiercely fought political games.

This is not a mere technical problem to be solved by improved expertise and training. Rather, it is in itself a more far-reaching problem related to the specific political culture that is at the root of the country's transformation impasse. This impasse also carries over to the stagnant economic transformation, which for nearly a century has been locked in a constant mode of improvisation and experimentation oscillating between crude and distorted (neo)liberal reforms and generally populist state interventionism, the latter of which ends in unsustainable debt that then again requires neoliberal-style adjustments.

To put it more simply: Argentina has no idea where it wants to go, and is unable to discuss its dilemmas without ending up in the familiar mutual recriminations. As a consequence, it has been unable to find sustainable solutions. While President Macri and his successor Alberto Fernández have sought to engage in some consensus-building efforts on fundamental issues, these too have been watered down in advance of the next electoral process and the next "deepest crisis in Argentine history" (of which there have been many).

There are no easy solutions in overcoming this apparent stagnation, and any Archimedean starting point remains distant. A more optimistic view could ironically start with the pandemic, which – because it has affected the whole society – could represent a critical juncture and offer a window of opportunity for historical change. However, for this to become a reality, a necessary condition would have to be met: the moderate left and the moderate right would have to establish a coalition of at minimum a temporary nature – which in itself would be a historic pact – thus sidelining the intransigent forces. This coalition would have to establish consensus on three important points:

First, it would have to agree that neither technocratic neoliberalism nor improvised state interventionism can solve the country's deep-rooted structural economic problems. It would instead have to envision a model – as outlined by ECLAC – that sets clear benchmarks for "productive growth with equity." This would also mean breaking the power of entrenched interests, be they the unions (and their patronage-paternalist "obras sociales") with links to the Peronists or the powerful business sector, which is blind to the country's social needs and tends to lean to the right.

Second, it would have to agree that political interference with the judiciary is detrimental to the rule of law, and frustrates any attempt to govern the country in the long term, or even in the medium term beyond one election cycle. This would imply a firm conviction to end political interference in the judiciary and provide for a more neutral framework supporting a functioning rule of law. This should include improved – and publicly scrutinized – procedures for training and appointing judges. To this end, external advice should be widely sought, despite any fears of a supposed loss of sovereignty; the problem is too big, and the country cannot afford to squander any opportunities. In turn, only the presence of a reliable rule of law will provide incentives to invest sustainably or repatriate funds deposited abroad.

Third, the coalition would have to agree that Argentina has spent more than it has raised over many decades – what is in fact Argentina’s main problem – and that this should not (further) burden the most vulnerable sectors of society. Instead, the vision of a universal social security system should be introduced, which would be state-supervised but not necessarily state-directed. This should use advanced technologies to provide assistance based on individual rights, and eliminate the paternalistic grip by long-established social forces. Here, the authorities can build on past experience, but the system should be universalized.

That said, based on the status quo, the short- to medium-term outlook for Argentina is rather bleak. This applies in particular to the repercussions of COVID-19: On the one hand, the pandemic’s social and economic consequences have complicated the already difficult stabilization process, potentially undermining political stability. On the other hand, the internal conflicts, combined with other disruptive factors (the government’s lack of international credibility, the shortage of vaccines, the emergence of new virus variants and outbreaks), have led to delays in the vaccination process that will further hamper socioeconomic stabilization until well into 2022. Moreover, given the increasing election-year polarization, the issue is becoming highly politicized, further undermining the ability to find pragmatic solutions.