Argentina

Status Index
6.48 # 33
on 1-10 scale out of 137

Political Transformation
7.45 # 22

Economic Transformation
5.50 # 63

Governance Index
4.70 # 68
on 1-10 scale out of 137
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Executive Summary

Argentina was in a state of almost permanent crisis mode throughout the period under review, with economic and political turbulence overlapping until the start of the 2023 election year. The deep economic crisis that President Alberto Fernández’s government inherited from his predecessor Mauricio Macri (2015 – 2019) was compounded by the pandemic crisis, the consequences of which were felt at least into 2022. While the end of the lockdown in the first half of 2021 provided an opportunity to engage in at least temporary cooperation between the moderate left and the moderate right, that moment passed, and the so-called grieta – the rift between the political currents – has tended to deepen since then. Economic imbalances remained a constant challenge, while the poor management of the center-left Frente de Todos (FdT, Everyone’s Front) government contributed to its further weakening in the October 2021 mid-term elections. Although victorious, the opposition Juntos por el Cambio (JxC, Together for Change) also presents a rather dismal picture due to internal squabbles and the lack of a common discourse.

As for political transformation, the situation stagnated or even regressed. The Fernández government took advantage of the decree powers conferred by Congress and made excessive use of necessity and urgency decrees (NUDs) to deal with the dual crisis, almost completely sideling the legislative branch. Checks and balances came under additional pressure from the government’s persistent attacks on the judiciary, which it has sought to control, although key bodies such as the Supreme Court (CSJ) remained resilient. The latter includes prominent anti-corruption judges who continued to investigate Vice President Cristina Fernández de Kirchner for corruption cases. In December 2022, she was sentenced to six years in prison for fraud “to the detriment of the state” and banned for life from holding public office, although it appeared that she might slip off through several loopholes. This and similar cases provided the background for Peronist forces accusing the judiciary of “lawfare” against prominent Peronist leaders. The real power play, however, took place not so much between the government and the center-right parliamentary opposition but within the government itself – between the moderate and radical wings of Peronism. The former is represented by President Fernández and some cabinet members, the latter by Vice President
Fernández and her supporters in the cabinet and Congress. Hostility intensified after the lost mid-term elections and led to the blockading of several important policies, most notably the handling of IMF conditions and austerity measures to reduce the budget deficit.

Accordingly, in terms of economic transformation, the division within the government also had fatal consequences for the necessary mix of sound macroeconomic policies. After reaching an agreement with external bondholders in 2020 to restructure about $65 billion in sovereign debt, the government agreed with the IMF in March 2022 on a $45 billion program to defer impending debt payments while the country seeks to implement an agreed-upon economic program. This was done despite fierce opposition from the radical Peronist faction in the government and Congress. The new agreement has significantly reduced uncertainty about short-term macroeconomic policy, but future radical Peronist support for the agreement is uncertain, and the external situation remains unstable. As a result of internal pressures, Fernández dismissed Economy Minister Guzmán, one of his most loyal allies, in July 2022 and appointed “super-minister” Sergio Massa in August, who has had initial success in stabilizing the exchange rate and federal reserves. Nonetheless, the persistent lack of consensus within the government has undermined efforts to restore the market and the public confidence needed both inside and outside the country to help Argentina out of the crisis.

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 in the same year. However, the new center-left alliance, led by President Fernando de la Rúa (UCR), was unable to resolve the nation’s severe social problems due to a Peronist majority in the Senate and among provincial governors. A wave of protests and violence pushed the nation to the brink of chaos, leading to de la Rúa’s resignation in December 2001 and the return of Peronism to power. Following a brief term under the leadership of Eduardo Duhalde, the country was governed by Néstor Kirchner, the former governor of the Santa Cruz province, from 2003 to 2007, and then by his wife, Cristina Fernández de Kirchner, from 2007 to 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, led by Mauricio Macri, won the presidency, and a non-Peronist governor assumed office in the province of Buenos Aires. Macri began his term by implementing a combination of economic shock therapy and gradualism, which involved reversing some of Fernández’s populist policies. However, these measures, though necessary, have proven to be painful. The peso devaluation and reduction of subsidies further exacerbated the already high inflation rate, significantly impacting households’ purchasing power and fueling growing social discontent and protest. In 2018, Macri achieved a significant milestone by signing a historic agreement with holdout bondholders that ultimately allowed the country to regain access to international capital markets. Additionally, he secured a $50 billion financial assistance program with the IMF. Nevertheless, the economy continued to slump during this period.

In the 2019 election year, political polarization returned to Argentina due to the country’s deteriorating economic situation and ongoing financial volatility. In October 2019, Alberto Fernández of the center-left coalition Frente de Todos (FdT, Everyone’s Front) won the presidential election in the first round against Macri. The election also marked the return to government of former President Cristina Fernández de Kirchner (2007 – 2015), who ran for vice president on the FdT ticket. A unified Peronist ticket and Argentina’s economic deterioration, marked by high inflation and increasing poverty, were the main factors in Macri’s defeat. From the beginning of Fernández’s term, the real power play was not so much between the government and the parliamentary opposition as within the government itself, that is, between the moderate wing, represented by the president, and the radical wing of Peronism, represented by his vice president. Economically, Fernández faced the economic crisis inherited from Macri and the drastic consequences of the pandemic and the imposed lockdown in his first year in office. Immediately after taking office, he pushed an emergency fiscal consolidation package through Congress. However, instead of closing Argentina’s huge budget deficit, which is at the root of many of the country’s problems, the government reverted to an economic model based on government spending and subsidies to boost domestic consumption. It also expanded the money supply, which runs counter to the government’s purported interest in fighting high inflation and further increased pressure on Argentina’s economic stability.
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. Argentina has not only become the second-largest cocaine market in Latin America, following Brazil, but has also become a transit point for drugs to West Africa and Europe and increasingly a consumer country. The northern and central regions of the country are the hardest hit by drug trafficking, with a particular stronghold in football superstar Lionel Messi’s hometown of Rosario, where criminal gangs have been able to expand for years.

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 exposing security personnel to the temptations of corruption. Cash smuggling is another phenomenon in Argentina’s security landscape. Nonetheless, homicide rates declined from a peak of about 7.5 per 100,000 people to a bit more than 5 by 2020, which represents a low figure in the Latin American context. An exception is Rosario, where, according to Clarín, there were 288 murders in 2022 – the highest such figure in the city’s history and five times the average homicide rate in Argentina. A new phenomenon is land grabbing by self-declared Mapuche groups. This is increasing in frequency in Patagonia, and land has even been granted in the province of Mendoza, where there is no history of Mapuche settlements.
The majority of the population accepts the nation-state and its constitutional basis as legitimate. 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. The constitution recognizes the ethnic and cultural identity of Indigenous peoples and provides that Congress shall protect their right to bilingual education, recognize their communities and communal ownership of their ancestral lands, and allow for their participation in the management of their natural resources. There are 35 Indigenous groups, comprising between 2% and 3% of the population, but over the years, many Indigenous peoples have tended to hide their identity to avoid racial discrimination.

Law enforcement is weak. Many Indigenous peoples, including the Mapuche in Patagonia and the Tobas and Kolas in the north, are largely neglected by the government and suffer disproportionately from disease, extreme poverty and the effects of COVID-19. Concerning the Mapuche, although they are not denied legal recognition of their land rights de jure, there are several inconsistencies de facto in the application of these rights. This includes the private purchase of ancestral lands or the lax implementation of Emergency Law 26,160, which orders the suspension of forced evictions of Indigenous communities. Consequently, many Indigenous peoples have been evicted from the places they inhabited because they could not provide proof of their ancestors’ previous residence. Inadequate respect for Indigenous peoples’ rights has led to an increase in conflict since 2021 (see “Conflict Intensity”).

The government has recently taken steps to elevate the status of individuals of African descent and address their grievances. On June 24, 2021, it established the Federal Advisory Council of the Afro-Argentine Community. On November 1, the National Institute Against Discrimination, Xenophobia and Racism (INADI) assembled a nationwide gathering of Afro-Argentine community organizations. Through this entity, the government enforces the law by handling public complaints, officially denouncing violations in court, and developing public programs to combat discrimination. However, domestic non-governmental organizations have generally concurred that INADI was unable to find meaningful resolutions to their concerns.

The state is secular, and religious dogmas have no significant influence on the legal system or political institutions. The population is predominantly Catholic, but public education is secular, and religious minorities are free to practice their faith. While the constitution explicitly mentions the Catholic Church as deserving support, Supreme Court rulings clarify that this does not grant it the status of an official religion. In essence, Christian, Jewish, Muslim and other religious groups have equal legal standing. Essentially, even the Catholic Church, which holds the most influence, functions more like a political interest group. Despite Macri’s attempts to cultivate the church as an ally, it persisted in criticizing many economic measures undertaken by his administration, just as it did with his predecessor, Cristina Fernández de
Kirchner. The church has voiced concerns about the increasing levels of inequality and poverty, organized crime, corruption, and the “Integral Sex Education” bill. It has also vehemently criticized the law allowing abortions up to the 14th week, which was enacted in December 2020.

The state’s basic infrastructure, including the judiciary, tax authorities and law enforcement, covers the entire national territory. The same applies to the administration of communication, transportation and other basic infrastructure services such as water, education, and health. However, it functions somewhat poorly in the peripheral regions. A total of 95.4% of the population has access to basic sanitary facilities, and 99% has access to a basic water source (based on data from 2016, the most recent available). The share with access to electricity is reported as 100% (2020).

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. The Macri and Fernández governments launched plans to develop the 10 poorer provinces in the north and the approximately 2,300 municipalities in the south, respectively. These regions suffer disproportionately from regional imbalances, a lack of infrastructure and logistical difficulties. However, due to a lack of funding since 2018 and the multiple negative effects of the COVID-19 pandemic, these plans stalled during the review period.

Overall, the situation has worsened along with the economic stagnation and high inflation during 2022, as evidenced by the poor results in education performance tests and the poor performance of public health services, aggravated by the country’s regional imbalances.

2 | Political Participation

General elections, including the most recent 2021 mid-term 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, known as the Cámara Nacional Electoral (National Electoral Chamber), is an integral part of the judiciary, unlike in other Latin American countries. However, it is nominally independent in its decisions. Elections are accepted as the legitimate means of filling leadership positions. Nevertheless, the system suffers from significant shortcomings primarily due to the inconsistent enforcement of election laws and campaign finance regulations.

In November 2021, voters elected one-half of the members of the Chamber of Deputies, representing all of the provinces and the city of Buenos Aires, and one-third of the members of the Senate, representing eight provinces. These elections resulted in a significant setback for the ruling coalition, as it experienced a loss of
about 5.2 million votes, equivalent to 40% of the gains it made in the 2019 elections. Throughout the election campaign, the recurring issue of clientelism once again became evident, evolving into a sort of “national folklore” as described by observers. Transparency International, Poder Ciudadano and the CNE all criticized the insufficient legislation and lax enforcement of existing norms (Clarín, October 16, 2021).

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 and even 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. Potential antagonists, such as unions and business leaders, were severely limited in their bargaining and veto power from 2020 to 2022 by supply chain problems, the pandemic, government-imposed measures that stilled economic activity for many months and finally by the impact of the Russian invasion of Ukraine.

With a majority in both chambers and a moderate parliamentary opposition, the Peronists had enough power to govern during their first two years. However, the president and the vice president have different visions of politics and democracy – one republican, the other autocratic – which sometimes makes it difficult to govern effectively. These difficulties increased with the ruling coalition’s loss of votes in the 2021 mid-term elections in favor of the opposition, along with the radicalization of the Kirchnerists.

The constitution provides for the freedoms of peaceful assembly and association, as well as the right to engage in collective bargaining for workers. The government generally respects these rights. Alongside the traditional means of interest group representation, such as unions and business organizations, there is a wide range of grassroots organizations, NGOs, self-help groups, and national and international human rights groups. These entities typically operate without legal restrictions or political pressure from the state. Organized labor is primarily dominated by the Peronist unions, and union influence remains strong, although it has experienced a decline in recent years. Internal opposition to union leadership is often limited by fraud and intimidation.

Other forms of articulation and protest, such as demonstrations and 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. However, these protests declined drastically in the wake of the government’s measures to combat the pandemic. Occasionally, protests were met with excessive force by the police. For example, in March 2021, provincial
authorities in the city of Formosa ordered local police to disperse demonstrators protesting restrictions put in place in response to the COVID-19 pandemic. Police used batons, tear gas and rubber bullets against the demonstrators. National government officials, as well as local and international NGOs, expressed concern about the crackdown.

In the second half of 2020, the restrictions imposed during the pandemic were partially relaxed and were all but lifted as of February 2022. Consequently, social protests have increased since 2021, culminating in mass demonstrations in July 2022 in the face of a deepening socioeconomic crisis that has created significant uncertainty about the future.

 Freedoms of information and expression are guaranteed by law and broadly protected by the judiciary. Direct interference and state restrictions are rare. However, polarization between state-owned and private media remains strong. Moreover, when journalists and media companies make allegations of wrongdoing in their reporting, especially about political corruption, they are frequently the target of civil libel suits. The country slipped in the recent Reporters Without Borders (RWB) press freedom rankings, and press organizations in the country have also expressed concern about the erosion of press freedom. In the RWB’s 2021 World Press Freedom Index, Argentina was ranked 69th out of 180 countries, five places below its 2020 position. This was the fourth consecutive year that Argentina had slipped in the rankings. (As RWB changed its calculation method, recent ranks are not comparable to 2021; Argentina was ranked 29th in 2022 and 40th in 2023.)

The prosecution of journalists is often associated with the Argentine government’s crusade against “lawfare,” as investigative journalism is allegedly part of a conspiracy between journalists, politicians and the judiciary against Peronists. The most prominent case of aggressive behavior by government members is that of Vice President Cristina Fernández de Kirchner, who regularly attacks journalists through official channels and her personal accounts on X, the platform formerly known as Twitter. In August 2021, a federal judge dismissed charges of illicit association and illegal espionage against journalist Daniel Santoro of the newspaper Clarin due to a lack of evidence. Representatives of various press organizations, referring to the increasing verbal and physical attacks on journalists and attempts to sully their reputations on the internet, also stated that the judiciary has been used to try to silence the voices of independent journalism. Nevertheless, independent media have remained robust and widely critical of the government.

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 restrictions on freedom of expression
must normally meet. The Fernández government has maintained the decision taken by the Macri administration to limit tariffs for information and communications technology services and declared these services to be “essential strategic public services” to protect citizens’ access to information, freedom of expression and children’s access to education during the pandemic. Some provinces and municipalities do not have freedom of information laws, which undermines transparency.

3 | Rule of Law

Since the 1990s, the balance of power among the three branches of government has clearly shifted in favor of the executive branch, resulting in “presidential hegemony.” Successive economic crises have favored this increase in executive power through the use of decrees of necessity and urgency. The use of executive decrees has marginalized Congress in the formulation, consideration and passage of legislation, while also undermining trust between the executive and legislative branches. In the first three years of the Peronist coalition, more presidential decrees were issued than laws were passed by Congress. The most important were the far-reaching “Ley de Solidaridad y Reactivación Productiva,” which authorized the government to declare a state of economic, financial, fiscal, administrative, social and energy emergency by decree, as well as the declaration of a state of health emergency by decree, which allowed the government to implement extensive measures to combat the pandemic.

The judiciary controls both the legislative and executive branches through the power of judicial review. The Supreme Court can overturn the executive branch’s laws and decisions if it concludes that they violate the constitution. This occurred multiple times during the review period, particularly in cases involving questionable government measures that were strictly motivated by political power plays. Conversely, portions of the judiciary have faced continual criticism from the government, which accuses them of engaging in “lawfare” against the vice president through corruption charges.

The mid-term elections have somewhat improved the distribution of institutional powers in favor of the opposition, so that the executive branch can no longer use parliament to merely rubber-stamp its decisions. This has slowed the attacks on the judiciary, but Congress, which gained more power through the election results, is at the same time more fragmented and still paralyzed by Vice President Fernández’ obstructionist maneuvers, as she has control over strategic commissions.
In principle, Argentina’s judiciary is independent and institutionally differentiated into federal and provincial justice systems, with additional channels of appeal. However, it still remains subject to influence by political authorities. Additionally, it continues to face issues such as corruption, delays and inefficiency in certain parts. Moreover, it is burdened by numerous tenured but incompetent judges, particularly at the provincial level. The system is susceptible to political manipulation, especially at lower levels, and allegations of corruption remain frequent, further undermining confidence in the judiciary. Furthermore, the quality of legal education, along with the entire educational system, has deteriorated over time. According to the 2022 WJP Rule of Law Index, Argentina is ranked 61st in terms of civil justice functioning (2020: 45th) and 77th in terms of criminal justice functioning (2020: 68th), with relatively low scores in the areas of “effective investigations” and an “effective correctional system.”

Argentina’s two main political forces, the PJ, currently part of the center-left governing coalition FdT, and the center-right parties of the JxC coalition, have traditionally accused each other of politicizing the judiciary. The Supreme Court (CSJ) has faced consistent attempts at co-optation under the Peronist governments of the last quarter century but has managed to maintain relative independence. Particularly during the review period, it became apparent that this pressure has now become more open and visible due to corruption cases involving the vice president. Like the judiciary in general, the CSJ, therefore, has been severely mired in political and ideological antagonisms.

Also frequently at the center of accusations of political influence is the Council of Magistrates (Consejo de Magistratura, CdM), which appoints and can remove judges. The dispute was fierce after the Supreme Court declared the composition of the CdM, issued by decree in 2006 by President Cristina Fernández, to be unconstitutional. As a result, Law 24,937 of 1997 is now in force until Congress passes a new law. In this context, in April 2022, the JxC accused the ruling coalition of staging a “fraud” intended to control the new Judicial Council. The opposition denounced a tactic that involved an artificial split of the FdT faction in the Senate. This maneuver aimed to give the coalition three of the four Senate members on the 20-member council, thus increasing its influence over the body. However, the administrative court has since declared this move to be unlawful. The political squabbles have caused the CdM to fall behind on numerous disciplinary cases.
Corruption scandals are relatively common in Argentina, and the lack of transparency, the weakness of 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. 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. 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, though only one has gone to trial so far.

On Dec. 6, 2022, the vice president was sentenced to six years in prison for fraud “to the detriment of the state” – not additionally for “illicit association,” as Judge Luciano had demanded – and banned for life from holding public office. However, Fernández is unlikely to be jailed. Her current status as vice president gives her immunity. To put her in jail would require impeachment proceedings with the approval of two-thirds of both chambers of Congress. She also has the option of appealing, and at 70 years old now, she can apply for home custody. Nevertheless, the verdict is the first step toward coming to terms with Kirchnerism’s corrupt past.

While such corruption cases often attract adverse publicity, the rift between the two political forces has also spilled over into the public debate. Cristina Fernández immediately received support from the Argentine left as well as from left-leaning politicians throughout the region. Fernández’s conviction that the prison sentence is politically motivated will further deepen political divisions in Argentina on the one hand and the confrontations between President Alberto Fernández’s government and the judiciary on the other. Cristina Fernández responded immediately, calling the process political and a case of persecution by a “judicial mafia.”

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, due to politicization, corruption, inefficiency and, in the case of the police, low wage levels, there exists a significant gap between legal safeguards for civil rights and liberties and their actual enforcement. The endemic misconduct, torture and brutality perpetrated by the police and security forces against detainees exacerbate this situation. Similarly, prisons face challenges such as severe overcrowding and the inadequate provision of basic services. Furthermore, national and provincial governments have consistently failed to reform the police forces, despite their involvement in criminal activities, thereby perpetuating the prevailing culture within the security forces.
There are national and local ombudsmen to assist citizens whose rights are violated by the state, but those with low incomes and others who are socially excluded have little effective access to these institutions. Discrimination against the Indigenous population remains a problem. Antisemitism 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 had a particularly negative impact on minorities, exacerbating their existing disadvantages. Significant progress has been made in the fields of LGBTQ+ rights and women’s rights. Argentina was the first country in the Americas to legalize same-sex marriage. In late December 2020, Congress legalized abortions up to the 14th week of pregnancy.

4 | Stability of Democratic Institutions

The political system is marked by strong presidentialism, with a significant concentration of executive power. This concentration has been furthered by successive economic crises and the COVID-19 pandemic and is evident in the widespread use of decrees, which intensified during the review period. A system of both formal and informal incentives often makes it more profitable for the opposition to obstruct the government rather than cooperate with it. Politics have been both localized and decentralized without the concurrent development of a robust national party system or the institutional mechanisms that typically provide a counterbalance to these centrifugal tendencies. Moreover, informal rules permit a systemic bias in favor of obtaining privileged incomes, nepotism and outright corruption. Additionally, relations between the economic and political spheres include a substantial level of state capture and rentierism.

Another burdensome element is the emergence of what observers call a “vice-presidential regime” controlled by the Kirchnerists, the radical wing of the governing coalition, which even obstructs the executive and the public administration. Vice President Fernández, who is also ex officio president of the Senate, controls the Peronist blocs in Congress through her son Máximo and also holds the key to the province of Buenos Aires, where a quarter of the country’s population lives, through Governor Axel Kicillof. In addition, she has enormous influence in Congress’ strategic commissions. Peronism’s heavy losses in the 2021 mid-term elections have exacerbated these frictions.

Further notable friction with the judiciary occurred at the end of 2021 when the Supreme Court declared the composition of the Consejo de Magistratura – which was based on a 2006 decree – to be unconstitutional because it did not comply with the constitutionally mandated balance between politicians, judges and lawyers. Until Congress corrects the composition of the Consejo, the norm in effect before the 2006 reform must be applied. At the time of this writing, the Consejo remains inactive, as the Senate has been unable to agree on its nominees.
The constitutional order has not been disrupted since Argentina’s return to democracy. The relevant actors accept 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 and accepted, 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, as do civil society organizations.

Nevertheless, with the new Peronist coalition government, the rules of the game have changed, going beyond the traditional divide between formal and informal rules, such as the logic of institutions and their application in the daily work of politicians and social actors. The creeping change in government form that characterized the first years of the current government, from presidentialism to vice-presidentialism, appears to be increasingly giving way to a power vacuum. The government’s contempt for the judiciary is increasingly provoking criticism from sections of society, especially leading media organizations and the middle class threatened by social decline.

5 | Political and Social Integration

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

Four main national parties and coalitions are represented in Congress, and up to 19 others (some of them regional, primarily in the Senate) have a much smaller representation. There are two dominant political blocs: The center-left JP is now part of the broader FdT coalition, while JxC is a center-right political coalition formed by the Republican Proposal party (Propuesta Republicana, PRO) led by former President Macri, along with the liberals of the Radical Civil Union (Unión Cívica Radical, UCR), which was founded in 1891; the party of former presidents Raúl Alfonsín and Fernando de la Rúa, the Civic Coalition ARI, which was founded in 2002 as a centrist party; and a political alliance of center-right JP figures opposed to the Kirchnerist faction.
Political polarization is a recurring problem in Argentina. Essentially, there is a latent polarization between Peronists and anti-Peronists, primarily represented today by JxC. This divisiveness, commonly known as “la grieta,” or the rift, has often resulted in democratic dysfunction and policy reversals when a new administration comes into power. While this polarization fluctuates at times, another distinctive feature is the factionalism within Peronism that can sometimes lead to confrontations. Although a united Peronism movement won the 2019 elections, noticeable divisions emerged when Cristina Fernández published an open letter in October 2020 stating that the government was incapable of solving the crisis. This trend has continued to grow since the mid-term election debacle.

Against this background, a new political movement – the libertarians of La Libertad Avanza (The Liberty Advances) – has emerged as a third political force that is channeling the indignation, especially of young people. They are anti-statist and anti-political, ultraliberal on the issue of the economy, but authoritarian in their political definitions, similar to the group of ultra-right European populisms. They proclaim that they have come to destroy the political caste. The emergence of this new political space led by an anti-system leader is a novelty, and its consequences are uncertain.

The existing network of associations reflects most social interests and is, to some extent, 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.

The clearly dominant interest groups are employers and unions, even though they are partially divided internally. Both groups possess strong bargaining power and align themselves with one of the two political camps: with the Peronists on the union side and with the right-wing liberal forces on the business side. As a result of this historically evolved dichotomy, cooperation between the two interest groups is limited, and the aggregation of social interests into the political system is inherently politicized. This political division frequently compels even more fully independent interest groups to adopt a dichotomous stance.

In general, there exists a significant disparity between the widespread acceptance of democratic norms and the population’s evaluation of specific democratic institutions due to issues like inflation, corruption, unemployment, poverty, rising insecurity and the handling of the COVID-19 pandemic. Levels of support for democratic norms and procedures remain relatively high but have experienced a decline compared to previous years. According to Latinobarómetro 2021, Argentina continues to be among the leading Latin American countries in this area, with 55% expressing support for democracy (at the forefront are Uruguay with 74% and Costa Rica with 67%). At the same time, only 14% said that an authoritarian regime may be preferable under certain circumstances, one of the lowest such percentages in Latin America.
By contrast, 66% declared that democracy was preferable to any other kind of government. But 42% indicated that they would not mind if a non-democratic government came to power if it could solve problems, and 60% acknowledged significant problems with democracy in their country (compared to 54% in 2018). Only 29% said they had trust in the president, with even lower levels accorded to Congress (18%), the judiciary (16%), the electoral system (15%) and political parties (11%).

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, as well as general levels of confidence in the institutions of social and political representation, have declined since 2012. Levels of interpersonal confidence are 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.

In the Latinobarómetro 2021 survey, only 15.1% (2018: 18%, 2016: 22.4%) of respondents stated that one could trust other persons. The COVID-19 pandemic, which has accentuated and made visible many cleavages throughout Latin America, has undoubtedly contributed to this decline in recent years. Rule-flouting individualism and group loyalties determine behavior. Overall, 45% (2018: 67.1%) of respondents were convinced that people do not normally say what they think, while 42% believed that if they publicly expressed their opinions about the country’s problems, it could have negative consequences.

The perception of the political process as a zero-sum game 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, even more so after the 2021 mid-term elections. The pandemic paralyzed cooperative efforts during the long quarantine and isolated many who had formed exchange organizations and other forms of self-help associations in their homes. 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 remains a country with notably high levels of human development, although it continues to face enduring challenges related to poverty and inequality. As of 2021, the country’s Human Development Index (HDI) score was 0.842, placing it 47th out of 191 countries and territories globally (compared to 0.845 in 2020, when it ranked 48th). In terms of the Gini index, Argentina registered a value of 42.3% in 2020 (compared to 41.2% in 2019). The country experienced a loss of 14.5% in its HDI score due to inequality in 2021, the second-lowest such value in the region, following Uruguay.

Adjustment measures in recent years have affected not only the most vulnerable populations relying on social benefits but also the new poor – meaning those in precarious employment and those recently unemployed. According to the World Bank, 2.5% of the population lived on less than $3.65 per day in 2021. The 2022 Poverty Index produced by the Argentine Catholic University showed a poverty rate of 43.1% (40.8% in 2019), with about 18 million people in this category; extreme poverty affects 8.1% of the population, or about 3.3 million people. Children, youth and the elderly are among the most affected. Exclusion based on gender, religion or ethnicity plays a minor role compared to most other Latin American countries. The country’s score on the Gender Inequality Index (GII) improved significantly from 0.362 in 2011 to 0.287 in 2021, earning it a rank of 69th out of 170 countries.

<table>
<thead>
<tr>
<th>Economic indicators</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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<tr>
<td>GDP</td>
<td>$ M</td>
<td>447754.7</td>
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<tr>
<td>GDP growth</td>
<td>%</td>
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<td>-9.9</td>
<td>10.4</td>
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<tr>
<td>Inflation (CPI)</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Unemployment</td>
<td>%</td>
<td>9.8</td>
<td>11.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>% of GDP</td>
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<td>1.3</td>
<td>1.4</td>
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<tr>
<td>Export growth</td>
<td>%</td>
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<td>-17.7</td>
<td>9.2</td>
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<tr>
<td>Import growth</td>
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<td>-18.5</td>
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</tr>
<tr>
<td>Current account balance</td>
<td>$ M</td>
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<td>2688.4</td>
<td>6644.5</td>
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### Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
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<th>2021</th>
<th>2022</th>
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<tbody>
<tr>
<td>Public debt % of GDP</td>
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<td>External debt $M</td>
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<td>Total debt service $M</td>
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<td>Net lending/borrowing% of GDP</td>
<td>-4.0</td>
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<tr>
<td>Tax revenue % of GDP</td>
<td>10.6</td>
<td>10.9</td>
<td>11.5</td>
<td>-</td>
</tr>
<tr>
<td>Government consumption% of GDP</td>
<td>16.4</td>
<td>16.9</td>
<td>15.8</td>
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<tr>
<td>Public education spending% of GDP</td>
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<tr>
<td>Public health spending% of GDP</td>
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<tr>
<td>R&amp;D expenditure % of GDP</td>
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<td>-</td>
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<tr>
<td>Military expenditure % of GDP</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>0.4</td>
</tr>
</tbody>
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Sources (as of December 2023): 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, for the most part, 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 stable, agreed-upon rules is perhaps the major problem within the Argentine universe overall. Despite diminishing since the early 2000s, the informal sector remains large in Argentina, encompassing 48.9% (2021) of the total employed population.

After inheriting a deep recession, Alberto Fernández has sought to attract investment in specific sectors of the economy through a series of investment promotion programs at the federal, provincial and municipal levels. These initiatives have been supported by broad-based credit programs and favorable credit terms through the National Fund for the Development of Micro, Small and Medium Enterprises. Credit continued to be supported by the Ministry of Productive Development during the pandemic. Despite this progress, experts complained that these measures fell far short of a comprehensive economic plan to lead the economy out of recession.

Argentina has rigid labor laws. The government reinstated price controls in June 2021 before the November mid-term elections, including on electricity, which necessitated costly subsidies for the electric power system.
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 law 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, 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 ranks 83rd out of 140 countries. Argentina, via the National Commission for the Defense of Competition (CNDC), a decentralized body placed under the Secretariat of Internal Trade (SDT), is a member of the International Competition Network.

In 2018, Macri enacted a new competition law that would remove all decision-making powers from the SDT – the competition agency subordinate to the Ministry of Productive Development. The intention was to create a new (autonomous) competition agency, the National Competition Authority (NCA), modernize the existing archaic system, and bring Argentina in line with international best practices. However, the change of government and the impact of the COVID-19 pandemic blocked these reform initiatives.

Under the Peronist government, competition policy remained entrusted to the SDT, which, since June 2022, has been subordinate to the Ministry of Economy. In a closed economy like Argentina’s, this system provides a favorable environment for arbitrariness and discretionary decisions by officials.

In March 2020, the Fernández government enacted the Supermarket Shelf Law, which sought to promote competition between large suppliers and small and medium-sized enterprises by limiting the shelf space for the former’s products to 30%.

Foreign trade is liberalized in principle, but significant exceptions remain, including state interference, special rules, tariff and non-tariff barriers. The simple average most-favored-nation (MFN) applied tariff was 13.4% in 2021. The Peronist government responded to the COVID-19 outbreak with some restrictions on imports and exports during the public health emergency. Prior authorization was required for the export of supplies and medical equipment the country needed to cope with the pandemic. Export refunds for industrial companies were accelerated, taxes on the import of essential inputs were eliminated and the statistics fee was repealed. Hoping to win votes in the November 2021 mid-term parliamentary elections, the government decided to suspend all beef exports for 30 days as an “emergency measure” to stabilize the domestic price of a popular food. Fernández accused beef producers of raising prices and acting for profit, being more interested in exporting beef to get higher prices than selling it in the domestic market. Another point of conflict between the government and the agricultural sector was the government’s announcement that
it would increase export restrictions for several agricultural products in order to curb price increases. However, these measures require parliamentary approval for some products. Agricultural lobbies responded by threatening to impose coercive measures and halt commercialization.

Argentina has a relatively small financial system. The government exercises strong control over financial activities. The banking system and capital markets are relatively well-differentiated, but the only banks that are internationally competitive and meet international standards are foreign banks. Twelve state-owned banks account for over 40% of total assets. Supervision of the financial sector is exercised by the central bank (BCRA), the Superintendency of Financial and Foreign Exchange Institutions (SEFyC), and the Superintendence of Insurance (SSN). Despite the greater independence of the central bank during Macri’s term, the financial sector remained exposed to government influence. In 2020, the banks’ capital adequacy ratio was satisfactory at 12.7%, above the average for the decade. However, the share of non-performing loans, which had been below 2% of total gross loans since 2011, increased in recent years and stood at 3.1% in October 2022 (2018: 3.1%, 2019: 5.7%, 2020: 3.9%).

The central bank has raised the key interest rate nine times since the beginning of 2022, ultimately reaching 75% as of the end of the review period. Further increases were expected. The high stock of outstanding central bank bonds, worth 10% of GDP, poses potential risks to the central bank’s balance sheet. Overall, the Argentine banking sector remains on shaky ground. It continues to suffer from volatile macroeconomic conditions and a poor policy mix. President Fernández’s heterodox economic policies have put the banking sector under enormous pressure, resulting in massive capital outflows and the government’s subsequent imposition of capital controls. Although private sector lending showed some signs of momentum toward the end of 2021, this was primarily due to the revival of the economy after the end of the lockdown. However, the recovery in lending stalled again in January 2022 when both borrowers and lenders switched to risk-aversion mode. Additionally, limited financial intermediation, combined with high levels of inflation and interventionist interest rate regulations, has weighed heavily on bank profitability. On the positive side, banks are very liquid and well capitalized, which minimizes the risk of a full-blown banking crisis.
8 | Monetary and fiscal stability

Although the Argentine central bank (BCRA) is nominally independent, it faced increasing pressure during the Kirchner era (2003 – 2015). After the change of government in 2015, the central bank became de facto more independent, but the planned legislative change in support of operational independence did not materialize. Currently, the central bank is again financing the treasury. Inflation rose to about 95% by the end of 2022, accompanied by a widened gap between the official and the parallel exchange rate. According to ECLAC, the inflation rate reached 34.1% in 2020, and the 2021 election year closed with an annual rate of 51.4%, which further rose to 87.8% by October 2022 and reached 94.8% at the end of the review period (BCRA).

Argentines have witnessed numerous heterodox measures to contain economic crises in the past, but the latest foreign exchange regulations have set a new standard. In October 2022, the government introduced a series of additional exchange rates for different sectors, each calculated using a different formula for taxes and duties. As a result, there are now a total of 14 different exchange rates. The aim of these measures is to maintain the central bank’s foreign exchange reserves, which are crucial for the smooth functioning of foreign trade and essential for preventing a massive and uncontrolled devaluation of the Argentine peso.

Currently, the blue-chip swap rate is nearly 100% higher than the official exchange rate. The official exchange rate is gradually inching above the inflation rate, which stands at approximately 6.5% per month. However, the appreciation of the global dollar has effectively reduced the competitiveness of the Argentine peso. During the period, the official rate increased from ARS 88 per dollar in February 2021 to ARS 187 per dollar at the end of the period. (Neither the World Bank nor ECLAC provides data for Argentina’s real effective exchange rate index.)

There are also numerous foreign exchange restrictions and capital controls that make it difficult to do business in the country. Reserves had fallen to a critical low of around $1.5 billion by early September 2022. However, through a special foreign exchange scheme that gave farmers a favorable rate to export rather than store soybeans, net foreign exchange reserves increased by about $3.5 billion to over $5 billion. This was enough to get back in touch with the IMF, which requires a minimum of $3.45 billion in net reserves. Restricted access to the dollar restricts imports of consumer goods and machinery, affects supply chains and creates inflationary pressures.
The government’s fiscal policy has been largely inconsistent, and budgetary stability is under constant pressure. One necessary measure to combat Argentina’s long-standing inflation problem was to reduce the chronic budget deficit. In 2021, the budget deficit was reduced compared with 2020, mainly due to the reduction of pandemic-related expenditures and extraordinary revenues associated with the taxation of large fortunes and higher revenues from export rights in the context of rising international commodity prices. However, the budget deficit remained high at 4.5% (ECLAC data), and the issuance of money to finance the deficit contributed to the acceleration of inflation. In January 2023, the Ministry of Economy reported a fiscal deficit of 4.2% of GDP for 2022, while the primary deficit of 2.4% of GDP was in line with the 2.5% target negotiated with the IMF. Nevertheless, the austerity measures taken to reduce the budget deficit have been hotly contested between the pragmatic and radical forces in the government. The latter call for simply ignoring the IMF’s conditions and investing in social spending, as was done in the election year 2021 with the “plan plata.” A similar program is part of the budget planned for 2023, an election year.

Gross public debt, which rose to approximately 103% of GDP in 2020, has since decreased to the previous level of 81% of GDP. Two-thirds of this debt is in foreign currency. After renegotiating debt with private bondholders in 2020, the country reached an agreement with the IMF in early 2022 for a new Extended Fund Facility (EFF). The EFF has a maturity of 30 months and a grace period of four and a half years. This agreement will enable the country to delay its debt maturities with the agency and bolster its reserves in the short term.

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 and delays in the judicial and administrative systems, government interference and corruption. Despite advances in the protection of property rights and the reduction of state intervention, patent protection remains an ongoing problem. The International Property Rights Index 2022 (IPRI 2022) ranks Argentina 91st out of 129 countries (2021: 97th; 2020: 79th) and 11th out of 21 in the region. On a scale from zero to 10, its score is 4.299 (2021: 4.702; 2020: 5.111), as compared with a world average of 5.19. The Physical Property Rights Subindex ranks Argentina at 113th overall and 17th in the region.

Fernández’s plan to expropriate the financially troubled grain exporter Vicentin was finally halted in July 2020 and was described by Fernández himself as a “mistake.” He stressed that he was not a “madman with a checkbook for expropriations,” as some of his opponents portrayed him. In the Global Competitiveness Report 2020 – the latest report available – Argentina ranked 85th out of 141 in the area of intellectual
property protection. Within the IPRI subindex for intellectual property rights, it was ranked 91st overall and 11th in the region. In the patent protection subindex, the country ranks 54th globally and 8th in Latin America. Patents and utility models in Argentina are regulated by Law 24,481. The Patent Law grants a term of protection of 20 years from the date of registration of each patent. Utility models are granted for a period of 10 years.

Private companies are institutionally viewed as significant drivers of economic production but may not always be adequately protected by current legal safeguards due to prolonged legal proceedings. Starting and closing a business in Argentina is relatively straightforward. In an effort to restrict the outflow of funds, several foreign exchange regulations have been implemented due to repeated devaluations of the Argentine peso; however, some of these restrictions have been relaxed. Despite being considered a high-tax country, Argentina offers incentives in sectors such as mining, biotechnology, software, and the oil and gas industries. Industry contributes 29% to the country’s GDP, with prominent sectors including food processing, automobile production, textiles, energy production and mining. The service sector is today the most significant within the Argentine economy.

While Macri eliminated many of the barriers to private sector activity implemented under the previous Kirchner administrations, the return of the Peronists to power in 2019 has resulted in a shift toward increased state intervention, or at the very least, a corresponding atmosphere. This shift has also had an impact on foreign direct investment. However, Fernández has made it clear that, following the end of the pandemic-era freeze, the private sector plays a crucial role in revitalizing the country and reducing the poverty rate. He emphasized the need for collaboration between the state and the private sector in order to unlock Argentina’s potential. In addition to providing incentives for the gas sector, Argentina became a participant in China’s Belt and Road Initiative (BRI) in February 2022. Furthermore, a new presidential decree in October 2022 encouraged companies to invest in technological infrastructure, capital goods and human capital. Companies are permitted to retain 20% of foreign exchange inflows for investment projects exceeding $3 million, with an emphasis on exports. They may also retain 30% of the revenue generated by expanding exports.
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 in 2017 was the third-highest among BTI countries, totaling 6.6% of GDP, but this figure decreased to 5.9% of GDP in 2018 and 2019. Health spending in 2020 was $864 per capita (2015: $1,525), accounting for 66.3% of total social spending. Since the 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.

The right to access healthy, safe and high-quality food is one of the priorities of the Alberto Fernández government’s social policy. One of the pillars is the Law for the Promotion of Healthy Nutrition. This is a public health policy aimed at preventing malnutrition and non-communicable diseases. It is based on the right to health and promotes healthy eating and the protection of children. Other social measures taken during the pandemic included a ban on unilateral layoffs and suspensions for 120 days, the Emergency Labor and Production Program (ATP), the Emergency Family Income (IFE), interest-free loans for the self-employed, loans at subsidized rates, and tax moratoriums and exemptions.

Argentina was legally in a food emergency between 2019 and December 2022, allowing for a 50% increase in existing allocations for food and nutrition programs. In 2020, 55% of the population was covered by a social program that provided income transfer and food assistance. According to UCA’s Poverty Index, about 40% of households still received some form of state assistance in 2022. Data from the Institute for Social Development of Argentina (IDESA) indicate that there are multiple plans at the three levels of government with similar functions, and many beneficiaries take part in multiple programs.

Institutions and programs designed to compensate for significant social differences exist, but their effectiveness depends heavily on political cycles, and their scope and quality are limited. The constitution requires gender equality in political parties and elected positions. As per the law, all party electoral lists for the National Congress must adhere to full gender parity, with men and women alternating. Following the mid-term elections in November 2021, women held 44.8% of seats in the lower house (an increase from 41% in 2019) and 43.1% of seats in the upper house (also an increase from 41% in 2019). However, only two of the ministers are currently women, including the head of the Ministry of Women, Gender and Diversity (MMGD). Men dominate the judiciary and national-level politics. Female governors lead only two out of the 24 provinces.
In 2022, Argentina ranked fifth out of 22 Latin American countries in the Gender Gap Index. The country scored 0.64 in economic participation and opportunities, indicating that women’s economic opportunities trail those of men’s by a factor of 36%. The overall gender gap index score was 0.76 (2020: 0.64), suggesting that women are 24% away from a position of parity with men in terms of opportunity. Women make up 43.0% of the total labor force; literacy rates are nearly equal at 99%, as is enrollment in primary and secondary education. Additionally, women are significantly overrepresented in higher education. Congress legalized abortions up to 14 weeks of pregnancy in December 2020.

In practice, poorer Argentines, ethnic minorities and Indigenous peoples have limited access to political power. However, LGBT+ individuals are well represented in Argentina, and legal protections for LGBT+ individuals are solid. Argentina was the first country in the Americas to legalize same-sex marriage. Non-citizens work primarily in 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 impoverished citizens in the informal sector but have fewer resources to defend themselves by appealing to the law.

11 | Economic Performance

The country’s economic performance has declined significantly since 2012, a consequence of the difficult international environment, economic policy mistakes and the impact of the pandemic. In 2021, economic activity recovered faster than expected, with GDP per capita increasing by 9.4% after the 10.8% slump in 2020. Another 4% increase occurred in 2022. GDP per capita (PPP) in 2021 returned to 2017 levels, about $23,600. The fiscal deficit narrowed compared to 2020, mainly due to reductions in COVID-19-related expenditures, as well as extraordinary revenues such as the tax on large assets and higher revenues from export rights in the context of rising international commodity prices. However, the fiscal deficit remains high, and the issuance of money to finance the deficit contributed to the acceleration of inflation, which reached 94.8% at the end of 2022 – the highest rate in 32 years and one of the highest such figures in the world. The economy continues to exhibit macroeconomic imbalances that limit economic growth. The unemployment rate was 7.1% in the third quarter of 2022 (2020: 11.3%; 2019: 9.8%), slightly above the previous quarter’s seven-year low of 6.9% but below market expectations of 7.2%.

Foreign trade has been affected by lower Chinese demand and the recession in Brazil since 2019. Many SMEs were or are on the verge of bankruptcy due to the lifting of import restrictions and a lack of competitiveness. According to an IMF report, the unfavorable global economic environment has cost Argentina an estimated $5 billion since Russia’s invasion of Ukraine, increasing the need for foreign exchange to replenish international reserves held by the central bank. FDI is rather volatile, decreasing from 2.2% of GDP in 2018 to 1.2% in 2020 and rising slightly again in 2021 to 1.4%.
12 | Sustainability

Argentina faces significant challenges in preserving its natural environment. The major environmental problems are pollution and the loss of agricultural land. Soil is threatened by erosion, salinization and deforestation. Air pollution from chemicals is also a concern. Although the goal of sustainable development was incorporated in Article 41 of the 1994 constitution in the form of a “polluter pays” principle, environmentally compatible growth is given only sporadic consideration and has a weak institutional framework. Public environmental awareness is still underdeveloped, and punitive measures for infringements are more of an exception than the rule.

The election of Alberto Fernández was accompanied by vague plans for the environment and sustainable development. In January 2020, the president presented an Environment Policy Plan in which he highlighted the damage caused by the production systems of large companies that disregarded environmental protection laws. The plan encompassed various draft laws and bills, such as the Federal Plan to Eradicate Open Dumping, the Environment Education Bill, the implementation of the Common Home Plan (municipal agroecology projects), and the transfer of the National Program for Fire Prevention and Management to the Ministry of Environment. Critics argue that these plans lack comprehensiveness. In terms of implementation, there was no significant progress in enacting the laws and policies outlined in the Environmental Plan during the review period, nor were any political measures taken to fulfill the commitments reiterated by Fernández at COP26.

Education policy provides for a nationwide system of sound education and training, but the research and technology sector shows patterns of weakness alongside strengths. The literacy rate was 99% in 2018, the second-highest such level in Latin America, behind Cuba. In the U.N. Education Index, Argentina ranked 9th in 2021 out of 134 BTI countries surveyed and was first in the region, with a score of 0.868. The country has long offered tuition-free access to local schools and universities, which in turn helps produce a skilled workforce. Four Argentine higher education institutions were listed in the Times Higher Education World University Ranking 2021. Public expenditure on education diminished from 5.8% of GDP in 2015 to 4.7% in 2019 (there are no more recent comparable data).

According to a 2021 report by the Instituto para el Desarrollo Social Argentino (IDESIA), 31% of youth under the age of 24 have not completed secondary education. During 2020 and part of 2021, Argentina’s education system was closed to academic activities due to the quarantine shutdown. According to UNICEF, 18% of Argentine youth do not have internet connections at home. The IDESA report also indicated that 47% of students do not reach a satisfactory level in language and mathematics, with this level rising to 81% in the public education system. Argentine students also
perform poorly in comparative tests such as PISA. There are considerable regional differences in Argentina’s education system between rural provinces and urban centers. The country currently has one of the most decentralized education systems in the region.

Gross expenditure on research and development showed an upward trend between 2020 and 2022, rising from approximately $4.4 billion to a projected $4.7 billion (PPP). In 2022, Argentina ranked second among South American countries in terms of R&D spending, surpassed only by Brazil.
Governance

I. Level of Difficulty

Structural constraints on governance have gradually increased since 2012. The primary constraints are rooted in Argentina’s frail economic position and its limited integration into the global economy. The prosperous years were not utilized to steer the economy away from an extractive development model primarily focused on agricultural and raw material exports, nor were efforts made to significantly diversify the production structure. Additionally, the country’s ample budget resources were not allocated toward substantial increases in education, research, development and innovation expenditures. The accumulation of governance failures over the years further hampers current governance options as a form of structural constraint.

Due to the crisis of the Latin American integration process, Argentina’s unfavorable integration into the world market, and the resulting high dependency on global demand, a number of recent developments have combined to create a difficult scenario. A recession in Brazil, Argentina’s most important trading partner, combined with the strength of the U.S. economy, have led to a withdrawal of capital. Additionally, decreasing economic growth rates in China have reduced the demand for soybeans, a major export product for Argentina. Finally, the impact of Russia’s invasion of Ukraine poses another risk.

While Argentina stands to benefit from high agricultural prices, provided it can obtain sufficient fertilizer from other sources, the gains from higher-value grain exports will be offset by the higher cost of already record-high LNG gas import prices. This also makes subsidies even less viable, although eliminating them would have high political costs given the still relatively high poverty rates.

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 with great potential for protest and demonstrations 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, 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 highly fragmented and their objectives are somewhat diffuse. Non-governmental organizations (NGOs) also play a significant role in monitoring, influencing and, in some cases, obstructing government decisions on a wide range of issues. The lockdown imposed by the government in response to the pandemic significantly reduced the opportunities for civil society to express their views in the public sphere. Despite the severe restriction on citizen mobility and the negative short-term economic impact of government policies, an overwhelming majority of Argentines supported Fernández’s decisive and effective response.

With the economic recovery, conflict intensity remained moderate in 2021 but deteriorated in 2022, causing social unrest to increase again. As the crisis deepened in early July, the most vulnerable social sectors took to the streets in a series of protests after the government halted the expansion of the Potenciar Trabajo program. This program offers a government stipend in exchange for four hours of work at social enterprises. On Aug. 18, 2022, thousands of frustrated Argentines gathered in downtown Buenos Aires, demanding that the government take action to increase wages and unemployment benefits. The measures announced by the government after the protests, which focused on ration cards and vouchers, were deemed insufficient as they were quickly eroded by inflation. Unfortunately, internal disagreements within the government hindered the search for a constructive solution.

The Mapuche in the south of the country have been another source of conflict. In August 2021, members of Mapuche communities in the Neuquen province protested against pollution and fracking. Conflict also arose when authorities evicted Indigenous peoples from ancestral lands under private ownership. In December 2022, a violent eviction of Mapuche in Villa Mascardi in Patagonia by over 200 police officers reignited the Mapuche conflict in Patagonia and indicated a shift in government strategy, previously marked by dialogue, in favor of a “repressive consensus.”

II. Governance Performance

14 | Steering Capability

Given Argentina’s nearly unending cycles of economic crisis, there has been a general tendency among political and social actors to reach agreement through short-term deals. This has long compromised the ability of public institutions to enforce a long-term commitment to reform that goes beyond individual electoral cycles. This pattern was once again evident during the period under review.

President Alberto Fernández, a moderate Peronist, established several strategic priorities. However, it remained uncertain from the outset whether these priorities would endure in the long term, given the veto power held by his left-wing vice president. On the economic front, he focused on stabilizing the economy and mitigating social hardships. While he committed to honoring the IMF loan
conditions, he also pursued negotiations for debt restructuring. In the areas of political and social transformation, his priorities were less apparent, though he expressed his intention to comprehensively reform the justice system to bolster its independence and integrity. Additionally, he pledged to legalize abortion. However, President Fernández encountered significant challenges in effectively prioritizing and organizing policy measures. This was particularly evident in determining the hierarchy of policies, their appropriate sequencing and the need to consider interdependencies. Genuine strategic capacities to prioritize and organize policy, acquire expertise or conduct regulatory impact assessments are almost nonexistent and have become irrelevant due to internal gridlocks.

Fernández had to deal with two major crises: the COVID-19 pandemic and the economic crisis, or most specifically, the restructuring of the national debt. In the first year and a half of his term, the government’s actions focused on combating the economic and social effects of the pandemic. Both priorities were addressed through short-term measures – most of which were enacted through emergency decrees – and an overwhelming majority of Argentines strongly supported Fernández’s measures. However, this high level of approval changed over time because the government’s second priority, reviving the Argentine economy, did not succeed.

On the political front, the central issue of the coalition government – driven primarily by the vice president – was the reform of the judicial system. The vice president’s main motive was not the poor functioning of the judiciary but rather the desire to avoid her impending conviction for corruption by altering the composition of the Consejo de Magistratura. Overall, the political agenda of 2022 was primarily dominated by more immediate issues, including a cabinet reshuffle, the ongoing criminal cases against the vice president, and the conflict between the Buenos Aires municipal government and the national government regarding the allocation of budgetary resources.

The government was relatively successful in tackling the COVID-19 pandemic in its first year in office (2020) and implemented a number of economic reforms. However, difficulties arose in implementing some of its favored policies, particularly after the left-wing coalition FdT lost its majority in the Senate in the October 2021 mid-term elections. This loss made it even more challenging to enact its policies. Rising levels of poverty and inflation contributed to the electoral defeat, making the debt-restructuring negotiations with the International Monetary Fund (IMF) more difficult. After renegotiating debt with private bondholders in 2020, an agreement was reached with the IMF in early 2022 for a new Extended Fund Facility (EFF). Fernández has also aimed to establish friendly relations with the United States while deepening ties with Russia and China during state visits to both countries in 2022. Argentina has joined China’s Belt and Road Initiative and welcomed Chinese investment in a nuclear power plant and in the rail transport and lithium mining sectors. However, President Fernández has been unable to control one of the world’s highest inflation rates, which is fueled by large budget deficits and other long-standing structural imbalances in Argentina.
As the economic situation worsened, Fernandez appointed Sergio Massa in August 2022 to head a super-ministry comprising the Ministries of Economy, Productive Development and Agriculture. Massa has since been able to pass some limited austerity measures to curb prices. In November 2022, he launched a 120-day program intended to control the prices of certain food and other basic products. However, one of the biggest problems for effective government remains the fact that Fernandez does not have his own base. Rather, he benefits from Vice President Fernández’s loyal following among the unemployed in greater Buenos Aires. An assassination attempt on the vice president in September and a six-year prison sentence for fraud, to which she was sentenced in December but which can be appealed, have exacerbated the already intense levels of political polarization. Public support for President Fernandez dropped significantly after the first few months of the pandemic and then dropped further as inflation increased. At the beginning of his final year in office, he has become increasingly isolated, acts erratically, and seems to have difficulty responding to complex problems and challenges in a flexible, innovative manner that respects the democratic rules of the game.

Under the Fernández government, political changes have resulted partly from political learning processes but mostly from the sheer necessity to adapt. The Fernández coalition government’s record of political learning during the period under study is very mixed. Initially, Fernández generally favored a policy of dialogue rather than confrontation and polarization, building bridges and mediating. He was open to policy proposals and compromises and changed personnel in a pragmatic way when necessary. Vice President Cristina Fernández de Kirchner’s political style and behavior, however, tend to be the opposite: aggressive, dogmatic, unwilling to compromise, dividing the world into friend and foe, viewing politics primarily as a zero-sum game, and seeing democratic institutions as mere instruments for gaining or maintaining power. All of these characteristics are more likely to hinder than help political learning, and the vice president’s influence has increasingly prevailed.

However, the new arrangement with the International Monetary Fund (IMF) in the first quarter of 2022 can be seen as a sign of a realistic perception of the international environment and the role of creditors, primarily the IMF and the United States, on the debt issue – as well as an indication of the Argentine government’s limited room for maneuver. Nevertheless, the radical wing of the Peronists, led by the vice president and her son Maximo, who has been president of the parliamentary bloc Frente de Todos in the Chamber of Deputies since 2019, continues to resist the debt settlement. The debt settlement reached can be seen – at least for a contemporary Peronist politician – as a demonstration of learning, while the resistance by portions of the Peronist Party serves as a demonstration of little willingness or ability to learn politically and correct failed policies. However, beyond the debt issue, the government is primarily focused on short-term crisis management in order to maintain a minimum level of consensus within the coalition and thus preserve its ability to take action. The repeated and largely unsuccessful implementation of price
controls, along with the imposition of various import and export restrictions aimed at preventing peso devaluation at all costs, are examples of these ad hoc measures. They have tended to repeat past mistakes and are indicative more of ad hoc crisis management than political learning.

15 | Resource Efficiency

The Peronist government faced significant challenges in effectively utilizing the human, financial and organizational resources available to them. One major obstacle persisted in the overall management of budgetary resources. Following their victory in the 2019 elections, the government reverted back to an economic model that relied on government spending and subsidies to stimulate domestic consumption, while simultaneously attempting to expand the money supply, despite the ongoing battle against severe inflation. This approach led to the implementation of the Emergency Economic Law, which broadened the scope of tax deductions and introduced a new tax on the purchase of dollars. In 2022, however, tax revenues experienced an increase of over 100% compared to 2021, thanks to significant growth in soybean exports by farmers who took advantage of a temporary incentive scheme targeting the agricultural export sector. Nonetheless, the budget deficit remained high, standing at 4.5% of GDP, while the primary deficit (2.4%) remained aligned with the IMF agreement.

Budget planning is not transparent. The budget is drawn up with the knowledge that its goals will not be achieved, and the auditing procedures are flawed. The opposition JxC sharply criticized the 2023 budget, which included the so-called plan platita aimed at increasing social subsidies (in an election year), arguing that the government had intentionally underestimated inflation in 2023 and consequently also the funds allocated for 2023. With this initiative, JxC wanted to prevent the government from distributing funds solely based on emergency and urgency decrees in the event of an increase in inflation, which observers forecasted to reach 100%. A similar “plan platita” had been introduced in the 2019 election year. Equally concerning is the fact that the Kirchner wing, through the Ministry of Social Development and its complex sub-structures, controls 70% of the budget.

Another example that raises doubts about the transparent and efficient use of government funds is the significant increase in the use of trust funds. Their number has grown from 15 in a decade to 29 in 2022. This means that by 2023, the government will have ARS 1.5 trillion (about $47 billion) at its disposal via this mechanism, almost free of oversight. These funds circulate outside the administration’s budget, circumvent the general norms that regulate and control their execution and financial management, enjoy a high degree of “flexibility,” and have become veritable “black boxes” that the state uses at will as an instrument to finance itself.
The number of politically motivated dismissals or resignations and new appointments of civil servants is high, and competitive recruitment procedures are the exception rather than the rule. Public offices follow a spoils system, with loyal civil servants filling positions regardless of expertise. Personnel costs are high in relation to the services provided, and many areas of the public administration lack effective organization that would allow them to adhere to the criteria of professional rationality. The recent accession to the OECD should be viewed as an opportunity for change.

At the beginning of his term, Alberto Fernández promised to continue the spirit of cooperation. This promise was initially kept when he won the support of opposition deputies for his emergency measures in December 2019. The central problem since then, however, has been that the real opposition is located within the Peronist coalition itself and emanates primarily from the radical faction around Vice President Cristina Fernández and her son Máximo. This faction has repeatedly blocked or delayed presidential initiatives that did not coincide with their own power interests, forcing President Fernández to change ministers or other personnel in leadership positions and putting pressure on him to take a more radical stance on controversial issues and represent it to the outside world.

Internal dissension within the coalition was also evident in the cabinet, frequently impeding the president’s repeated attempts to coordinate the government’s work. Different branches of the government have tended to vie with one another, and certain policies have had counter-productive effects on others, with perhaps the most notable example being the contradictory measures on budget stability. These factors also impeded efforts to establish connections with moderate forces external to the Peronist coalition, which were crucial for enhancing the democratic legitimacy of government decisions and fostering trust, especially in negotiations with international partners. A specific element disruptive to a unified government policy and the preservation of democratic institutions, particularly the judiciary’s independence, was the vice president’s repeated efforts to involve President Fernández in her personal battle against the judiciary, as she herself is facing corruption charges.

Corruption was one of the most damaging legacies of Cristina Fernández’s presidency. Her successor, Macri, made the fight against corruption one of his political priorities and created a series of new institutional and legal regulations to prevent this plague. However, according to World Bank figures, the success was rather modest. Weak institutions and an often ineffective and politicized judicial system undermine systematic attempts to curb corruption.

In principle, Argentina has a transparent public procurement system. However, only partial information has been published, and the use of the service is not mandatory for all government entities; it is optional for those who choose to utilize it. On December 21, 2022, the National Integrity and Transparency Roundtable, organized in cooperation with the Anti-Corruption Office – a division of the Argentine federal government responsible for auditing the country’s public sector and implementing
public policies to prevent political corruption – held its seventh meeting. During this meeting, an assessment was made of the progress of the National Integrity Strategy (NIS). The NIS serves as a strategic planning tool and a comprehensive preventive proposal that involves 51 agencies from the National Executive Branch. These agencies presented 90 initiatives, along with their established objectives and reports on 400 ongoing activities, which include indicators to facilitate the monitoring of goals. It was emphasized that 40% of the indicators have already been implemented. The auditing of state spending is primarily carried out by the General Audit Office. However, this office’s action is limited due to its politicization, and in recent years, it has appeared overwhelmed by the significant nontransparent expenditures occurring during and after the pandemic.

Regarding political funding, there is a political party funding regime administered by the Ministry of the Interior. According to a report by the Center for the Implementation of Public Policies for Equity and Growth (CIPPEC), this system divides political party funding into public and private funding. Both sources specify the exact percentage for each area, the distribution among the different parties, and the conditions for accepting or not accepting donations and other contributions. However, the nature of party funding and its logics – “collect and spend and see how it can be accounted for later” – tends to be counter-productive and has not changed to this day. The informative value of official data is therefore rather limited.

**16 | Consensus-Building**

All relevant political actors agree that consolidating democracy should be one of Argentina’s development goals. However, two different concepts of democracy exist. The current minority parliamentary opposition and the moderate PJ faction understand 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 legitimizes itself through elections. Beyond these differing concepts, ideas about the obstacles encountered and the strategies that should be applied to achieve and 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 2019, this conflict between the two understandings of politics, democracy and the 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 insights and experiences from both conceptions into account in his political actions. However, as far as the judiciary is concerned, both the president and the vice president have proven prone to hostility and the political instrumentalization of this power, thus violating the democratically mandated independence of the judiciary.
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. Ex-President Macri, leader of the opposition PRO party, advocates a neoliberal economic concept tempered by an assistentialist social policy. 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. The latter has, more recently, also been a priority of the moderate elements in the cabinet, including the president.

Today, no relevant veto actors with an explicit anti-democratic agenda remain. 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. Conversely, 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 Cristina Fernández’s government but has since decreased. Additionally, it has been partly neutralized by competing, government-friendly trade unions. Attempts, led by Moyano, to impose anti-market strategies through illegal and even criminal means have not been replicated under the Macri or Alberto Fernández administrations. Informal power struggles within and between party factions, corporate actors and social movements primarily revolve around specific issues and the preservation or acquisition of power without challenging the democratic order. This has also held true for the first three years of the Alberto Fernández administration. The fight against the pandemic led to restrictions on civil liberties, but without a surge in anti-democratic forces.

However, there remains the post-2021 problem of the radicalizing position of the Cristina Fernández camp, which has shifted from contempt to open hostility toward the rule of law. The approval rating of approximately one-fifth of society for the vice president – who has openly described the judiciary as a relic of the monarchy – illustrates that the radical populist interpretation of democracy has become ingrained in the political culture. While President Fernandez has remained passive, the judiciary has on occasion had to assert its authority over Vice President Fernández.
The central division in Argentina is neither religious nor ethnic, but socioeconomic, with political connotations and a high degree of (sometimes populist) polarization between Peronist and anti-Peronist groups, and sometimes within Peronism itself. Despite serious economic and social problems that have repeatedly led to conflict in the past, the Alberto Fernández government has largely prevented an escalation of divisive conflicts. President Fernández has pursued a strategy of moderation, bridge-building and ad hoc alliances but has repeatedly faced blockade attempts, vetoes and filibusters initiated primarily by his vice president and her radical supporters in the government and Congress, especially after the lost mid-term elections in 2021. Increasingly isolated and without significant support troops, however, the president has also adopted an increasingly erratic attitude. Examples include his behavior in the conflicts with the Mapuches over the issue of land grabbing and with the Supreme Court in the case against his vice president. Confronted with the negative results of the mid-term elections and the Supreme Court ruling, the vice president also radicalized her positions, further cementing the political and social divide known as the “grieta.”

There is no culture of public consultation in Argentina, as those in power – mostly Peronists since the return to democracy in 1983 – have been solely focused on maintaining or regaining it, believing they already possess the appropriate policy portfolio. As a consequence, “consultation” primarily involves yielding to pressure from a fairly vibrant civil society, particularly organized labor and business groups, rather than being a structured or institutionally organized process. This reflects the general dilemma of Argentine political culture, which is defined in rather archaic “friend or foe” terms, resulting in the a priori rejection of consultation with civil society actors who are not perceived as supporting the ruling power or its clientele.

This said, since the return to democracy, relations between the government, organized labor and business groups have been largely governed by informal neocorporatist arrangements that mitigated distributional struggles in an increasingly open economy. While this neocorporatist strategy came to an end with Macri’s radical opening policies, President Alberto Fernández sought to revive it, building on his better relations with organized labor and despite a more complicated relationship with business – particularly in the export-oriented sector. While the 2020/21 lockdown measures restricted the sphere of influence of all companies, as well as the activities of non-governmental organizations since they expired in the first half of 2021, President Fernández wanted to lay the foundations for a new social agreement to rebuild the national economy. However, the Economic and Social Council he re-established, which includes representatives of all the country’s main organizations, failed to deliver.

Since the start of his administration, President Fernandez has made efforts to politically incorporate civil society organizations that are aligned with the coalition into policymaking. This approach aims to expand his influence within and beyond the governing coalition. To illustrate, his association with the Evita Movement
(Movimiento Evita), which is a subject of controversy within the governing coalition, exemplifies this strategy. Recognizing its backing, President Fernandez established a new Secretariat for Municipal Development and Relations with Civil Society to handle cooperative relationships. He allocated resources and personnel from the Movimiento to support this new institution.

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 officials for abuses committed during the country’s “Dirty War,” although trials have been subject to worrying delays. 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” level of 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. In July 2022, four former military officers were sentenced to life imprisonment for the so-called death flights conducted during the military dictatorship. Those convicted of deprivation of liberty, torture and murder included a general, a commander and two other officers. According to the National Secretariat for Human Rights, this was the first trial for death flights carried out by the army.

17 | International Cooperation

Argentina has long suffered from the lack of a clear development strategy shared by key political, economic and social actors and the capacity to survive beyond a single election cycle or government’s term in office. 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 undermines long-term development. While the liberal-conservative forces, which have been in government only once in the past two decades (2015–2019), generally seek to strengthen market forces, the Peronists generally tend toward populist state intervention and more active redistribution policies. The latter often end in unsustainable levels of debt that then require neoliberal-style adjustments. In times of economic crisis, to which Argentina is prone, recipes also fluctuate between a more orthodox adjustment policy supported by the IMF and heterodox or even IMF-hostile Peronist measures.

This said, President Alberto Fernández’s Peronist government inherited a deep economic crisis from his predecessor Macri and was confronted with the COVID-19 crisis just a few months after taking office in 2019. Both issues resulted in a continuous state of crisis management that lacked clear goals for political and economic development, as well as a road map for achieving them. In response to the
pandemic crisis, the government sought international assistance to mitigate the social consequences and initiated the vaccination campaign in late December 2020, followed by the production of the Russian Sputnik V vaccine. Regarding the economic crisis, President Fernández utilized international expertise and sought external advice from institutions such as the World Bank and the IMF for IMF loan restructuring and debt issues. Bilateral aid agencies from the global North, as well as those from the South, were also consulted, with emphasis placed on shared benefits and autonomy. Relations with the IMF, the United States and Europe, however, were complicated by opposition from the anti-capitalist and anti-U.S. faction within the governing coalition. Negotiations with the IMF and creditors for an external debt restructuring program were constantly challenged by the vice-president-allied Kirchnerists, but eventually reached a conclusion.

While not a primary option for political development, Fernández took a pragmatic stance on Macri’s 2016 OECD accession request. This request has since been tentatively translated into a joint action plan, which has been in place since 2017. Accession talks were finally decided in January 2022. The latter implies that ongoing cooperation has taken place, including the adoption of various OECD legal instruments, as confirmed by the OECD. However, this does not guarantee that the ambitious OECD framework, which would serve as an external stimulus for Argentina’s governance as a whole, will be accepted across party lines and then implemented. President Fernández himself has cast doubt on this proposal with his questionable stances on judicial reforms and on relations with Cuba, Nicaragua and Venezuela, which align him more closely with the ideologically hardened Kirchnerist wing.

Argentina is a member of or signatory to a large number of international organizations, treaties and conventions. Its compliance with these organizations and international agreements was regular and consistent 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 make it more vulnerable than other emerging markets to global investors’ periodic decisions to pull out of risky assets. Former Health Minister Adolfo Rubinstein considered these weaknesses to be a factor in the government’s difficulty in obtaining COVID-19 vaccines, since Argentina is considered an unreliable buyer and did not have enough dollars to pay for the vaccines in advance, as other countries did. As a result, Argentina was more dependent on Russia and China and their vaccines.

While President Fernández is viewed as a credible and reliable partner by the majority of international partners due to his pragmatism, willingness to compromise and commitment to political dialogue, he faces criticism for his vague stance on Nicaragua, Cuba and Venezuela. Vice President Cristina Fernández, on the other
hand, is perceived as more rigid, confrontational, ideologically fixed and resistant to cooperation. This perception stems from her repeated aversion to interference and advice from the capitalist global North. As a result, she is considered unpredictable, uncooperative and unreliable, presenting a constant challenge to the stability of the Peronist coalition and the predictability of its policies.

One factor that gives rise to criticism toward the behavior of both the president and the vice president, and casts doubt on the solidity of their democratic commitment, is their repeated attempts to instrumentalize the judiciary for their own purposes and to undermine its constitutionally guaranteed independence by politicizing this branch of government. The most spectacular examples of this are Cristina Fernández’s persistent attacks on the criminal proceedings against her for various cases of corruption and President Fernández’s initial refusal to recognize a Supreme Court ruling in a long-running tax dispute between his government and the city of Buenos Aires, controlled by the right-of-center opposition leader Horacio Rodríguez Larreta. Although the president announced his approval a few days later, in January 2023 the government initiated impeachment proceedings against the four CSJ judges, a move that was sharply criticized by Human Rights Watch.

Argentina’s political leaders cooperate with all neighboring states and abide by the rules established by regional and international organizations. While 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, his successor Alberto Fernández is clearly prioritizing the center-left governments. Mercosur remains Argentina’s main trade agreement and Brazil its main partner, followed by China and the United States.

The change in the country’s regional policy after the October 2019 elections was visible but rather limited. Alberto Fernández attempted to take a middle position on Venezuela. In August 2020, Argentina joined the European-backed International Contact Group on Venezuela. Contrary to expectations, Argentina maintained its membership in the Lima Group in 2020, to the displeasure of the radical wing of the Peronist coalition. It officially withdrew from the group in March 2021, raising questions about the future of multilateral efforts to assist Venezuela. The president and vice president have sought to create a progressive pole in Latin America and to revive regional integration through Argentine support for the so-called Puebla Progressive Group, which was created in 2019 with the goal of countering the hegemony of liberal forces in the region but has met with only limited success.

A cornerstone and problem of cooperation in South America is Mercosur, which celebrated its 30th anniversary in 2021. Mercosur suffers from centrifugal forces and continues to experience a period of inertia as its four members diverge sharply on free trade issues. Argentina, being more protectionist and fearing further weakening of its manufacturing sector, stands against Uruguay and Paraguay. Relations between Argentina and Brazil were frozen during Jair Bolsonaro’s four-year term but were
revived at the 7th CELAC Summit. At this summit, both sides reaffirmed their commitment to Mercosur and announced a bilateral integration agreement focusing on the issues of energy and finance.

As for hemispheric cooperation, the Peronist government is attempting to adopt a “third position” in the geopolitical dispute between China and the United States. However, in reality, the relationship with Beijing is progressing at a much faster pace than that with Washington. While Argentina’s critique of the Lima Group may be perceived as a broader criticism of U.S. actions toward Venezuela, Foreign Minister Felipe Solá has emphasized that Argentina’s relationship with the United States remains unaffected.
Strategic Outlook

Although we would have wished to thoroughly update the strategic outlook after the pandemic-era BTI 2022, in fact, the same main problems persist or have even worsened. The following therefore also represents the starting position for the new President Javier Milei, who was elected with 56% of the vote on November 19, 2023, and who, as a populist outsider, has raised the hopes of the majority of Argentineans for a paradigm shift. Argentina has been 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, the country remains trapped in a persistent structural stagnation that has been bolstered 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 able to 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. Instead, it is a more far-reaching problem tied to the specific political culture that lies at the heart of the country’s impasse on transformation. This impasse has also played a role in the stagnating economic transformation, which has been trapped in a cycle of constant improvisation and experimentation for almost a century. This cycle alternates between crude and distorted (neo)liberal reforms and, in general, state interventionism driven by populism. The latter ultimately results in unsustainable levels of debt, necessitating further neoliberal-style adjustments.

To put it more simply, Argentina lacks a clear direction and is unable to engage in productive discussions about its challenges without resorting to familiar blame games. Consequently, the country has struggled to find enduring solutions. Even the limited attempts to reach consensus on core issues have been diluted, particularly as the next election approaches.

There are no easy solutions for overcoming this apparent stagnation, and any Archimedean starting point remains distant. A critical juncture may have been the 2023 general elections, with the outsider Milei winning the presidency and former government and opposition internally divided but factions of them overlapping. For this to be a window of opportunity for historical change, however, a necessary condition would have to be met; Given his precarious power base in parliament and in the federal states, Milei’s paradigm shift would require him to forge coalitions with moderate left and moderate right forces – which in itself would be a historic pact – thus sideling 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, whether they be 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 acknowledge that political interference with the judiciary is detrimental to the rule of law and hampers efforts to govern the country in the long term, or even in the medium term beyond one election cycle. This would suggest a strong commitment to ending political interference in the judiciary and establishing a more impartial framework that supports the rule of law. This should involve implementing and publicly scrutinizing enhanced procedures for training and appointing judges. To achieve this goal, external advice should be extensively sought and applied, despite concerns about a perceived loss of sovereignty; the issue is too significant, and the country cannot afford to waste any opportunities. In turn, only a reliable rule of law will provide the necessary incentives for sustainable investment and instill the confidence needed to bring back funds held overseas.

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