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Country Coverage

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Argentina: Post-Mortem on the First Round

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Argentina

Post-Mortem on the First Round

- + There are scant positives we can think of from the election result of the first round of the Argentine presidential elections held on the 22nd of October
- + Absenteeism declined when compared to the primaries held in August
- ✗ There will be a ballotage, or second round, on the 19th of November with the two leading candidates going forward with the attendant uncertainty further weighing on the economy
- ✗ The vote share of the candidate Sergio Massa, currently the finance minister of the “unpopular” and economically dire Kirchnerite administration rebounded dramatically
- ✗ Patricia Bullrich, the candidate representing economic orthodoxy had the legs cut out from under her and she was eliminated from the ballotage
- ✗ The share of the votes of the Libertarian candidate was reduced with his lack of an organization and his attacks on the Pope probably costing him ground
- ✗ The currency immediately recommenced its slide losing over 10% in the 24 hours after the result

Surprise, Surprise

Argentina never ceases to surprise. At the mandated primaries in August the largest share of the vote went to Javier Milei, a libertarian candidate, who had hitherto been a fringe figure in Argentine politics and a frequent target for ridicule for his erratic behaviour, inflammatory speeches and inconsistent ragbag of policies. The other shock was how poorly the ruling Peronist Party faction (otherwise known as Kirchnerism) did on the day. While a poor performance was expected due to the dire economic conditions evolved under the Presidency of Alberto Fernandez over the preceding four years. However, the result seemed to signal that even the indiscriminating “base” were abandoning the party that had ruled (under one faction or another) for all but six years since 1989.

And the rise of Milei took the wind out of the sails of the official opposition, led by Patricia Bullrich, pushing them into second place.

Now the Presidential elections have been held and the results have again surprised. The candidate for the Peronist(ish) forces managed to rise from the dead shooting from third position to first, the alliance of establishment parties on the centre right wilted (and were eliminated) and the Libertarian candidate had his lead hacked back and ended up in second position.

This now opens the way for a month of further confusion and, as we shall relate, furious conversations between existing coalition partners (of the losers) as horsetrading reaches a frenzy to reallocate what are a fairly sizeable 33% share of the votes gleaned by those candidates which did not make the cut.

We should note that the two national sports now are spoiling ballots and absenteeism.

Run-Off (Ballotage)

If no candidate receives at least 45% of the vote, or 40% with a lead of 10% over the runner-up, a second round is held. Thus, the appearance of Milei on the scene and him managing to glean a decent percentage of the vote at this late juncture is what had upset the apple cart of the traditional duopoly.

The run-off between the two leading candidates of last weekend will be held on the 19th of November. That in itself is seen as somewhat as a manipulation from above as elections are traditionally on a Sunday but that weekend is a long weekend at the beginning of the warm weather season with the danger (advantage?) that the middle class will decamp to holiday places.

Argentine voting is compulsory with the main exemptions being for under 18s or over 70s and if one is over 500kms from one's voting place on the day.

The Results

These speak for themselves:

Presidentials - First Round Results			Votes	%
<u>Sergio Massa</u>	<u>Agustín Rossi</u>	<u>Union por la Patria</u>	9,645,983	36.69
<u>Javier Milei</u>	<u>Victoria Villarruel</u>	<u>Libertad Avanza</u>	7,884,336	29.99
<u>Patricia Bullrich</u>	<u>Luis Petri</u>	<u>Juntos por Cambio</u>	6,267,152	23.84
<u>Juan Schiaretti</u>	<u>Florencio Randazzo</u>	<u>Hacemos por nuestra Patria</u>	1,784,315	6.79
<u>Myriam Bregman</u>	<u>Nicolás del Caño</u>	<u>Frente de Izquierda</u>	709,932	2.7

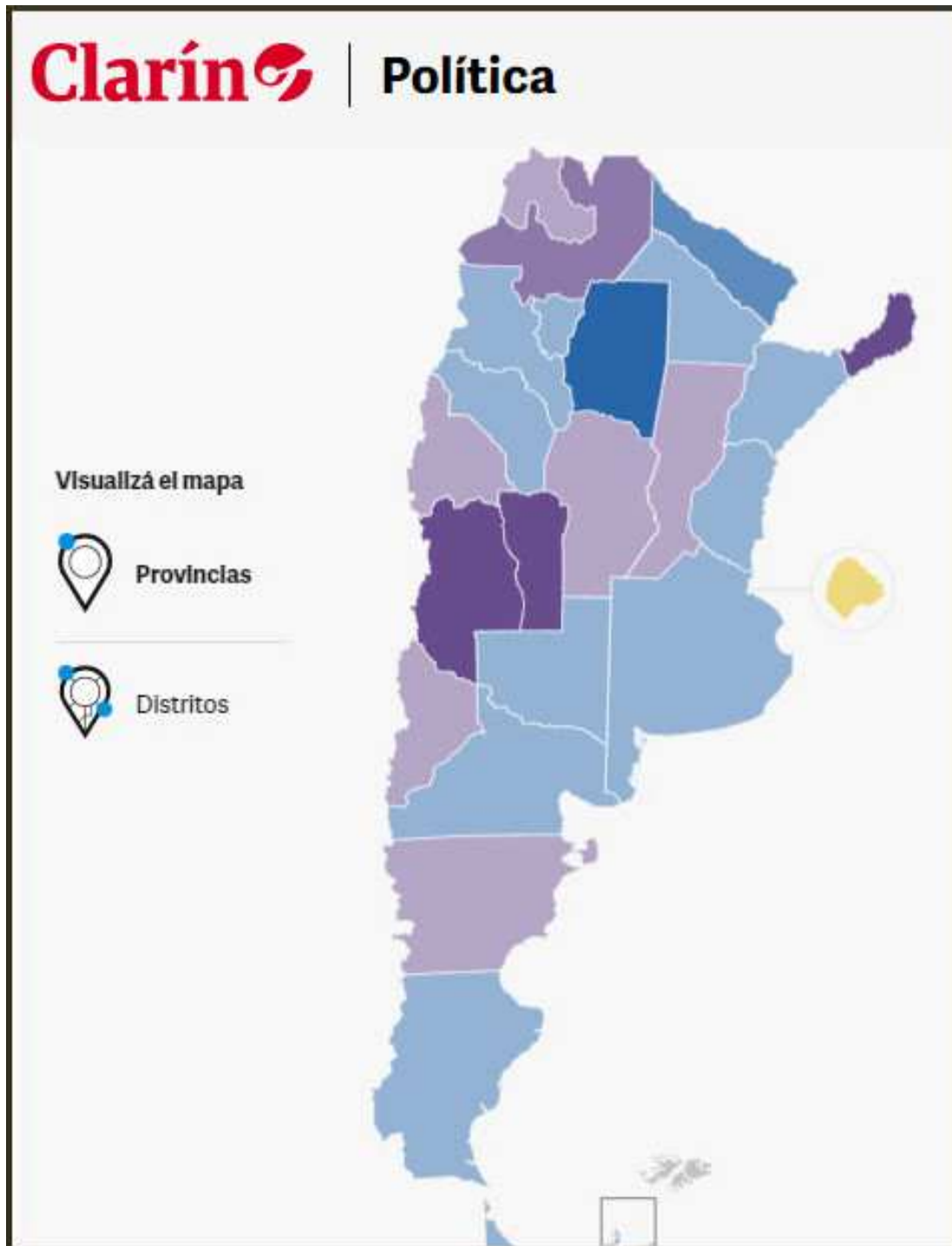
As a reminder we might mention that turnout was 69.6% at the primaries and 78.3% in the first round.

The provinces again tell a varied story as they did in the primaries. The dominance of Massa not being so clearcut.

The map that follows comes from the leading daily newspaper, Clarin. The colouring is somewhat less than ideal with shades of blue serving a multitude of purposes.

In short, the light blue is where Massa scored highest, but then so is the dark blue (Santiago del Estero) and the mid-blue (Formosa) where he scored absolute majorities.

The dark purple and the mauve are where *Libertad Avanza* scored the best. The yellow is the capital district, where *Juntos por el Cambio* came first. It is interesting to note that in the province of Cordoba (second by population) the candidature of Juan Schiaretti came second and Massa did not even come in the top three.



What Happened?

It appears that the main changes on the day related to two things. Firstly, we found the answer to the question of who were the voters who stayed home at the time of the primaries producing record absenteeism? Clearly, they were mainly Kirchnerite supporters who were demotivated on many fronts and couldn't be bothered. The Kirchnerites made the mistake of thinking they would turn out without any motivation. They were wrong. And thus the PJ didn't make the same mistake twice, and so in the latest election each and every motivational tool to get out the vote was employed. It should be noted that the Peronists had always had the best party structure anyway.

The get-out-the-vote putsch worked....

The other factor was Milei being his own worst enemy. Bullrich had soft-pedalled on attacking him and his policies in any more than the vaguest manner and thus it was left to Milei to sabotage himself which he did by attacking the Pope and generally continuing on his previous path of verbally machine-gunning the room and hoping to not hit any of his own supporters. Ironically, some observers thought he had "moderated his tone" after the primaries. Who could tell the difference?

A lesser factor in the whole equation was a somewhat torpid effort by the Bullrich crowd where pulling the punches on Milei left Massa and the K as the only punching bag available which was a bit like stating the obvious. Having Mauricio Macri fluttering on the edges of the Milei scene while furiously denying that he was, did not help.

The Shifting Sands

As the result was somewhat unexpected, already the fall-out has been more dramatic. In particular the game is on for the two remaining candidates to glean the votes that went to the three failed candidates. The task is not as simple as may be imagined.

The three failed candidates were:

Patricia Bullrich – Juntos por el Cambio – leading an alliance of seven parties where the heavyweights were the Union Civica Radical (UCR) and the PRO. The UCR is the country's oldest party and has been in and out of power since the 19th century. Primarily these days the UCR is a middle-class force, though it was more working-class pre-Peron (i.e. pre-1940s). The PRO is more economically right and is the force of Mauricio Macri (president 2015-19). Then there are smaller groups in the coalition, including the Bullrich crowd.

Juan Schiaretti – Hacemos por nuestra Patria – This is an alliance of three parties with Schiaretti being a dissident Peronist and very much a force from Cordoba province.

Myriam Bregman – Frente de Izquierda – this group represents the "real" Left, or what remains of them,

which despite being Trotskyist is not of the revolutionary tinge that the Left had in the 1960s-70s (when dare we say it, Bullrich was a Leftist firebrand). Bregman, in her day job, is a well-known human rights lawyer.

The first *caveat* is that we find it scarcely credible in this day and age, when parties were so wrongfooted in first the primaries, and then again in the first round, that they imagine they can “deliver” their voters to either of the surviving candidates.

We shall start with the easiest. The votes of the *Frente de Izquierda* might be expected to migrate to Sergio Massa. Frankly, if we were of the hard left, we would find supporting the existing government rather repugnant for it has done nothing redistributive besides enriching the hangers-on of the K/Campora and proliferating the poor. Funds, where they have been disbursed, have tended to go towards the *panem e circenses* that keep the K and its acolytes in power across the fiefdoms of the sprawling *conurbano* of Buenos Aires. The abject poor of the far-flung regions are left to molder in obscurity. Though it is not the abject poor who are the base of the far-Left grouping.

Bizarrely, on the day after the election, Milei felt that he had something to offer and started making overtures in this direction. This has been debunked by those on the Left.

One should therefore count on virtually all of the Frente’s voters going to Massa or being spoiled ballots.

Juan Schiaretti’s base (like that of the Frente’s) proved to have quite strong loyalty from the primaries through to the first round. It is critical here to remember that this grouping represents the socialist non-Kirchnerite wing of the Peronist Party and that indeed this group was at one time flirting with *Juntos por el Cambio*. The Radicals spurned Macri’s conversations here.

However, it may be deemed a bridge too far to migrate beyond Bullrich towards the camp of Milei. The level of this group’s antipathy to the K(leptocracia) will be the deciding factor in which way they swing their votes. There is also the potential for more spoiled ballots from this alliance’s base if both items on the menu prove too difficult to swallow. Whether Schiaretti has the power to “direct” his voters remains to be seen. The Massa forces will be rummaging furiously in their bag of tricks to find blandishments they can offer to achieve Schiaretti’s conversion to their cause. Maybe the “head of Cristina” on a platter might be the easiest gift to give.

Horsetrading

All the voters of Bregman and Schiaretti do not add up to enough to take Massa across the line. We are somewhat perplexed by the media in the West, and some in Argentina referring to Massa, as having “won” the elections on Sunday. Three candidates lost but no-one won. As the primaries showed coming first doesn’t mean one is always first. Just as *Juntos* claimed that Milei had peaked (and were right, but they lost anyway) so claiming that Massa has peaked from his own supporters could very well be true. He needs more than the true Left and quasi-Left to get across the 50% line. He needs, in short, a large chunk of hard-core middle class “fed up with Kirchnerism” supporters of Bullrich’s grouping to have a

road to Damascus and switch to him rather than Milei. The level of disgust with Kirchnerism amongst the middle and upper classes cannot be exaggerated. As one newspaper called it the “dismay in the *franja* from Recoleta to San Isidro”. By this they meant the belt of city and suburbs hugging the river in which the great and good of Argentina dwell in their houses and apartments. These are the people who deliver the city and those suburbs to opposition control decade after decade. They are the ones who largely own the country (because large landowners live in the city not on their farms). They don’t make up even half of the votes that Bullrich gleaned but they are the core of the middle and upper middle classes. Their teacups have been rattled.

Many of their children though have voted for Milei, with him very much being a phenomenon of the under-35s.

Thus, for Massa to win he needs people who are totally and utterly fed up with him and the government to vote for him. For Milei, who openly espouses being fed up with the government and its policies, to win he needs people who essentially agree on this to vote for him, i.e. those who voted for the Bullrich ticket.

Alas, for Milei his relative newness to the “game”, only having entered Congress as a deputy a couple of years ago means he is a relative neophyte in the smokey backrooms where deals are done. He got off to a good start on Monday morning by stating that he could see Patricia Bullrich as a security supremo in his administration. This is quite a turnaround as only a week ago he was (possibly correctly) terming her an ex-terrorist and Montonero (for those who know their Argentine history of the 1970s).

How could Pato slide seamlessly from defeated candidate to a prominent role in the Milei set-up? As economics is definitely not her strong point, her main appeal to the electorate had been that she was going to make them safer, the economic deal was quite a lot fuzzier and consisted of bimonetarism, which is merely a wayside stop along the road to dollarization. Her strength is in security a role she played under the Macri presidency. We could well see her rapidly coming out of her state of shock evident on Sunday night and suddenly “finding religion” in the welcoming arms of Javier Milei. His hitherto lightweight supporting cast could do with her gravitas on this theme.

All well and good for Bullrich (and maybe the Fuerza Republicana that she leads), but the Juntos troops remain restless. They are now largely directionless.

We would note that Macri, leader of the PRO, had already been flirting with Milei prior to the election (with attendant damage to Juntos’ appearance of solidarity) the so for him to take the PRO over to the Milei would not be a bridge too far.

That leaves the UCR or Radicales. They have in recent times seen a fistful of governorships directed their way through participation in the Juntos alliance. But scarcely are the votes counted from Sunday than some Radicales started musing on throwing their support towards Massa, while similar sounds were heard from the Massa side of the divide. For politicians to be out of touch with their base is not unknown and yet we suspect that they may be very much playing with fire in trying to save face by

clambering into bed with the Massaite tendency. Their supporters are mainly middle class and lower middle class and have suffered mightily under Kirchnerism. While cohabitation might get some Radicales some positions of relevance in a Massa administration they could end up self-immolating, which is never fun.

In the past the UCR played ball with Peronists to mutual advantage such as in the Constitutional reforms they cooked with Menem in the mid-1990s but then they ended up being eaten alive by the Peronists under the administration of De La Rúa, the Radical President, in the late 1990s, ushering in the dark period since 2001 that has seen them reduced from the main opposition to merely the largest of an arm-waving gang of minor parties. How the mighty have fallen. There is a lesson in this.

Then there is the question of whether they can even deliver. If the middle-class repudiation of Kirchnerism is so strong that Kirchnerism can only muster 36.7% of the vote, then the Radical leadership marching to a Massaite beat might turn around to find that the troops have not followed them into the trenches. Indeed, it risks even more defections of party members, let alone mere voters.

Milei – Wising Up

The reach out to Patricia Bullrich was the first of the new initiatives. The previous major initiative of the period between the primaries and the first round was cosyng up to Luis Barrionuevo, the infamous leader of the Gastronomicos union. This move was a shocker for many supporters (and may indeed have lost votes). The support of Barrionuevo may indeed have been a trap because he promised delivery of scrutineers for the polling places on election day and yet seemingly these shock troops didn't materialize according to those who were looking out for this support. Ditching Barrionuevo is probably high on the agenda in cleaning house before the next round.

Turning down the volume of his outbursts is probably also advisable to swing some Juntos voters to the cause. The chainsaw has outlived its usefulness as a prop.

As with Bullrich, having Macri getting off the fence could aid the cause in making it look like Milei has some better ballast.

Dollarisation in Play

Argentina was long afflicted in the 1990s by uninformed comments emanating from Wall Street. Fortunately, the country fell off the radar (and into total disgrace) in 2001 and we did not need to listen to Wall Street anymore. Neither were their analysts/strategists/"economists" interested in pontificating on the "Land that Time Forgot". They had moved on to ravage other economies.

Much of the Wall Street commentary in those days was back-scratching, with Domingo Cavallo's fan club being rewarded by privatization mandates. When no more mandates were on offer then Wall Street hewed to the World Bank line, particularly resistance to the ultimate end-game of Convertibility, which was dollarization. The latter policy though did not fit the needs and wants of the foreign banks that then ruled the heights of the Argentine banking system because it would mean they would need to make

good to Argentine depositors on the dollar deposits they had rapaciously and deceptively collected from them. We were strong supporters of dollarization at that time.

The rest is history, Cavallo betrayed the middle-class depositors and made good on his sycophancy to the Wall Street crowd. Cavallo was despatched to the dustbin of history, with his brilliant Convertibility construct being derided, despite it bringing ten years of zero inflation to Argentina. Ironically, all these years later, one of the main policy pillars of Javier Milei, the “winner” of Sunday’s presidential primaries, is the very dollarization that Wall Street then excoriated.

Governability

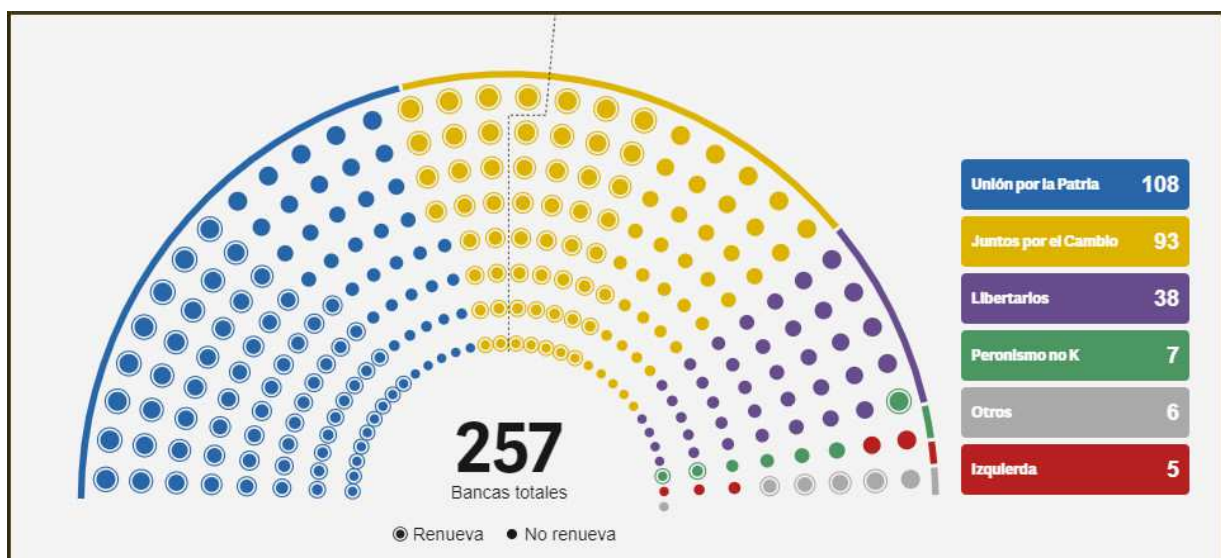
One thing is to be made president, another is to be able to do what one wants and institutes one’s policies. The Argentine senate and chamber of deputies operate in very similar ways to the US, particularly in regard to staggered elections. This should be no surprise as the original Argentine constitution was a copy of that of the US.

One third of the Senate was renewed on Sunday as was a large number of seats in the Deputies.

In both cases the outcome, due to a legacy of large representation for the Kirchnerite forces in previous elections was that the party of Massa lies only slightly below a majority in both houses. This will not be changed by whoever wins in the ballotage.

Thus, the new incumbent at the Casa Rosada will have to deal with hostile (or maybe not) majorities. For Massa it’s as easy as swinging some opposition senators from minority groupings to support a particular bill on its way through. Ironically, the votes of Milei and his tiny block (until now) have been used sometimes to give the outgoing administration support on selected issues.

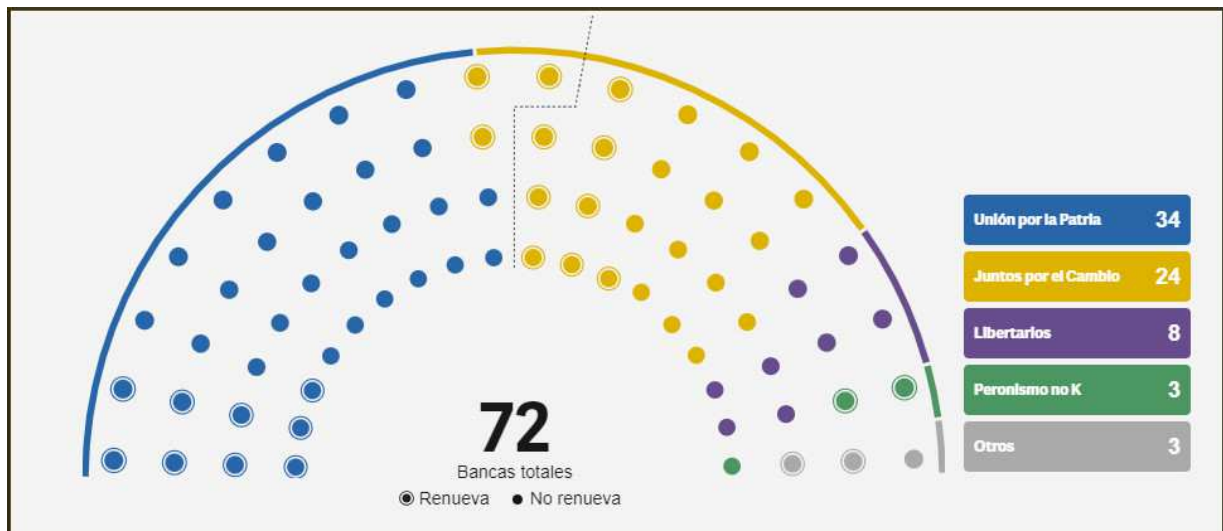
The composition of the Deputies looks like this:



Source: Clarin

Juntos and the Libertarios clearly have a majority, should they join forces on an issue.

The Senate looks like this:



Things are not so easy here as Peronists of all colours, working together, have more than a majority (just).

Wrinkle on Compulsory Voting

There was a rather stunning 1.4mn votes *en blanco* which represented 11.36% of the total votes. Normally voters in other countries would stay home if they didn't like the choice available. However, as we have noted before Argentina has compulsory voting.

This requires that all citizens between 18 and 70 must vote (the voting age is 16). If they cannot vote then they must justify their absence before the *Justicia Nacional Electoral* within sixty days and pay a fine. Unfortunately, inflation has left the fines as light as being hit with a feather, ranging between ARS50 and 500 (or USD 5cts to 50cts).

Moreover, the individuals will be placed on the grim-sounding *Registro de Infractores* and cannot be designated in public functions or employment for three after the election.

Moreover, those who do not pay the fine (i.e. go in and confess) cannot realise any transactions, applications or procedures with national, provincial or city organisations for a year.

This why so many go to the effort of voting and then "not voting" by submitting a blank or spoiled ballot. We suspect the blank vote will rise further in the second round.

Mining – The implications

As we have often noted the mining law in Argentina has largely been an affair of the provinces in Argentina with virtually no Federal input. The fly in the ointment has long been foreign exchange issues and the import rules for capital equipment which have caused miners and explorers and developers untold long-running headaches.

If anything we would see no change from any of the candidates winning in terms of mining legislation, If either Milei (dollarization) or Bullrich (bimonetarism) had won then miners would have reason to uncork the champagne, but they should not rush to do it.

Conclusion

Argentina has not lost its ability to surprise is the message of the primaries and the presidential first round. Now, pundits are calling it for Massa saying how the Peronists have outsmarted the conventional opposition (Juntos por el Cambio) and made the straw man of Milei the unacceptable choice against Massa. Yet only a week ago, Massa was the unacceptable face largely abandoned by those who had made him so unacceptable (Alberto & Cristina Fernandez – no relation). Now we must believe he is the smartest guy in the room. Sorry, this does not wash.

Even Machiavelli would need to do a doubletake on this snatching victory out of the jaws of defeat. Does Massa have any army hidden away to march forward to do battle? Well, might we hark back to Stalin's quip on "How many divisions has the Pope?". Are we to believe that Massa kept some in reserve last Sunday? Really?

Then there are the shattered remains of the Juntos, who seem to be pulling themselves together rather well. Verily two days have passed and the forces of K (though Massa likes to see himself as post-K) have pulled their candidate from the ballotage in the city of Buenos Aires to let Mauricio's cousin, Jorge, sail to victory unopposed. For us, this just means one less battle to fight for JxC on the 19th of November and they can concentrate on the main game. It seems Milei is not a total naif, he is making the right noises towards Bullrich and was already emitting siren songs to Mauricio weeks ago.

As they say, it ain't over till the fat lady sings, and Argentine politics is nothing less than an Italian opera with all the trimmings.

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