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In mid-February, Washington received a rude surprise when Argentine authorities seized the contents of an American military plane that was delivering equipment for a police training course. The government of President Cristina Kirchner argued that this equipment was undeclared and thus subject to confiscation. “The United States must understand that they can’t send war materials without informing the government,” Argentine foreign minister Héctor Timerman told CNN. The Obama administration was not amused. It demanded that the equipment be returned, and State Department spokesman P. J. Crowley described Argentina’s search of the plane as “unusual and unannounced.” Speaking to the *Buenos Aires Herald*, Deputy Assistant Secretary of Defense for Western Hemisphere Affairs Frank Mora called it a “serious incident,” stressing that the United States had “never experienced a similar situation with another country.” Such confrontations are “not supposed to happen between two allied countries,” Mora added.

On March 10, Argentina judge Marcelo Aguinsky dismissed the case and absolved the U.S. government of any criminal responsibility for the contents of the plane. “The matter investigated does not constitute a crime,” he concluded. While the incident may be over, it has poisoned U.S.-Argentine relations and further damaged the reputation of President Kirchner. Her government could easily have resolved any issue in private. Instead, Buenos Aires attempted to embarrass the United States, thereby triggering a diplomatic firestorm. Why?

Two reasons. The first reason is that Argentine officials were angry that President Barack Obama had decided to skip their country during his March 2011 Latin American tour. They considered this a snub and reacted like petulant children. For example, shortly before the plane controversy erupted, Timerman accused the United States of operating torture schools. (“In the past, they were dedicated to training the military in coup techniques and courses in torture and persecution of political enemies,” Timerman told local media.)

The second, more important reason for the plane fiasco is the ideological leftism of President Kirchner, who has cozied up to Venezuelan radical Hugo Chávez, embraced a hostile attitude toward Washington, and governed as a mildly authoritarian leftist. On her watch, Argentina’s public image has been tarnished by government efforts to doctor economic statistics, harass private companies, and bully opposition journalists. Once regarded as “the jewel of South America,” today it is suffering from runaway inflation and declining regional influence. As Horacio Rodríguez Larreta, chief of staff to the Buenos Aires city government, recently told the *Buenos Aires Herald*, “Our only friend right now is Hugo Chávez.”

To understand the evolution of Argentine foreign policy, we must go back several years, to the first Kirchner government—the one led by Cristina’s late husband, Néstor, who

served as president from 2003 to 2007 and died of a sudden heart attack in October 2010.

Debt Relief from ‘Uncle Hugo’

Néstor Kirchner took office at a precarious moment in Argentine history. The country was still recovering from a disastrous financial crisis and currency devaluation that had occurred in 2001 and 2002. Like other Argentine leftists, Kirchner blamed the economic implosion on “neoliberal,” free-market policies implemented during the 1990s. But this argument was totally unpersuasive. As journalist Michael Reid explained in his book *Forgotten Continent*, “What killed Argentina’s economy in 2001 was not ‘neoliberalism’ or the free-market reforms, but a fiscal policy incompatible with the exchange-rate regime, and a lack of policy flexibility.” Indeed, “Contrary to many claims, Argentina’s policy mix was in direct contravention of the Washington Consensus.” Moreover, the reforms that helped pull the country out of crisis were actually “neoliberal” initiatives championed by Roberto Lavagna, who served as Argentine economy minister from 2002 until 2005. The *New York Times* correctly described Lavagna as “the main architect” of the Argentine recovery.

Nevertheless, Kirchner promoted a false storyline about the crisis, and he fired Lavagna in 2005. For Kirchner and his supporters, the Argentine default was attributable to U.S.-style policies, and the solution was massive government spending and heavy-handed intervention in the economy. Kirchner borrowed heavily from the Chávez playbook, with its emphasis on populism, class warfare, and fierce denunciations of private enterprise. He nationalized the postal service, the largest water utility, telecommunications, and railways, among other things. Kirchner also took a somewhat authoritarian approach to Argentina’s legal institutions and independent media. Meanwhile, he pursued warmer relations with Caracas and remained cool toward Washington.

The 2005 Summit of the Americas left no doubt about his hostility toward free-market economics and the United States, or about his willingness to indulge the antics of his Venezuelan counterpart. Held in the Argentine resort city of Mar del Plata, the summit became a carnival of violent anti-U.S. demonstrations and Chávez-led rallies. The Venezuelan radical addressed tens of thousands of supporters at a soccer stadium close to the summit. He brazenly declared that the proposed Free Trade Area of the Americas (FTAA) would be buried in Mar del Plata. (“Each one of us brought a shovel, a gravedigger’s shovel,” Chávez said.) Celebrity protesters included the former Argentine soccer star Diego Maradona. As the *Washington Post* reported, “Hundreds of protesters had traveled through the night from Buenos Aires in a mass pilgrimage led by Maradona. Carrying signs comparing Bush to Adolf Hitler, the protesters chanted in unison as they filed into the stadium: ‘Bush, the fascist! Bush the terrorist!’”

During the formal summit negotiations, Kirchner strongly opposed the FTAA and helped scuttle its adoption. His role in torpedoing the free-trade plan drew criticism from Mexican president Vicente Fox, a robust FTAA advocate. Kirchner responded to this criticism by suggesting that Fox was a U.S. lackey. Chávez also called him “a puppet of the empire.” Later that month, the Argentine and Venezuelan presidents held “unity”

talks and signed multiple energy pacts, with Kirchner agreeing to support Venezuela's entry into Mercosur, the South American trade bloc. Kirchner and Chávez also discussed future energy projects and the creation of a Latin American investment fund.

Around this same time, Venezuela began purchasing \$5 billion worth of Argentine bonds, thereby helping the debt-ridden country accelerate its economic recovery. We cannot overstate the symbolic and practical significance of these purchases: At a time of surging oil prices, Chávez was using his petroleum wealth to cultivate a new client state and pull Argentina into his ideological orbit. Much to his delight—and to Washington's dismay—the plan worked. Even as Chávez was demolishing Venezuelan democracy, funding terrorists in Colombia, launching a partnership with Iran, and embracing other anti-American regimes, Caracas and Buenos Aires were strengthening their economic and strategic ties. In 2007, the two governments announced that they would be constructing a \$400 million gas-conversion plant in Argentina.

Leading opposition figures understood what was happening, and they didn't like it. "Since Kirchner couldn't fill the financial pothole, now he's asking his usurious Uncle Hugo to help him," former Argentine economy minister Ricardo López Murphy told the *Los Angeles Times*. The bilateral relationship was indeed one of convenience for Buenos Aires, which still desperately needed outside economic aid. Kirchner considered Chávez "a helpful ally who asks few questions and spreads money around with a disarming insouciance," wrote Latin America analyst Mark Falcoff in April 2007. Infusions of Venezuelan oil money had "allowed the Argentine president to thumb his nose at the hated IMF and resist pressures to reach a final settlement with his outstanding creditors."

Then, in August 2007, shortly after the \$400 million gas deal was announced, and just a few months before the Argentinean presidential election—an election that Cristina Kirchner was favored to win—a Venezuelan businessman named Guido Antonini Wilson arrived in Buenos Aires along with several Venezuelan oil executives and Argentine government officials. When customs authorities scanned the contents of his suitcase, they discovered nearly \$800,000 in cash. Opposition members seized on the story as evidence that Chávez was directly funding the Kirchners. "This is the proof of the corruption of this government," declared presidential candidate Elisa Carrió. We have subsequently learned—in part from Antonini's own testimony—that Chávez did indeed funnel significant amounts of money to the Kirchner presidential campaign. Meantime, his debt purchases were providing a critical boost to the Argentine financial system.

Inflation and Intimidation

Aided by Venezuelan petrodollars, a commodity-driven economic recovery, and the popularity of her husband, Cristina Kirchner won election to the presidency with over 45 percent of the vote. Despite speculation that she would prove more pragmatic and less ideological than her husband, Cristina continued the lavish social spending and nationalization policies initiated by the first Kirchner government. Indeed, both Kirchner governments behaved as if commodity prices—in particular, soybean prices—would keep rising forever. They spent like drunken sailors and made unsustainable

commitments to the public sector. Such irresponsible fiscal policies fueled rampant inflation, which Buenos Aires tried to camouflage by doctoring the official statistics. Still, as long as soybean prices remained sky-high, Argentine coffers were flush.

In 2008, however, soybean prices (along with other commodity prices) declined significantly, and Argentine farmers began staging strikes to protest against high export taxes imposed by Kirchner. Between the plummeting soybean price and the economically damaging strikes, billion of dollars in projected tax revenues were lost. Faced with a \$23 billion public-debt burden that had to be paid off within two years, Argentina was careening toward another crisis.

Having lost access to global capital markets following its 2001 financial collapse, and having alienated investors through its inflationary fiscal policies, the country could not simply roll over its debt or rely on government bond sales to solve the problem. Instead, Kirchner chose to nationalize Argentina's private-pension system (worth a reported \$30 billion). Though sold as a means of "protecting our workers and retirees," the nationalization plan was clearly a desperate ploy to shore up government finances.

"It looks like they want to use the workers' money for non-pension spending," University of Buenos Aires law professor Gregorio Badeni told *The Economist*. "The reason private pensions were instituted in the first place was to stop the government from doing that." As the *Wall Street Journal* reported, the announcement of Kirchner's nationalization scheme "jolted investor confidence and triggered a dollar outflow," causing both the Argentine peso and the Buenos Aires stock market to plunge in value. Shortly after nationalizing the pension system, Kirchner nationalized Aerolineas Argentinas, the country's biggest airline, which had been privatized in 1990. In the very short run, she mollified her country's fiscal crunch—but she also hastened capital flight from Argentina and inflicted serious damage on the national economy.

By early 2009, the country was once again on the verge of an economic crisis. Amid its worst drought in decades, Argentine farmers were striking to protest against government agricultural policies, including a deeply unpopular 35 percent export tax. Kirchner's ruling alliance suffered major losses in Argentina's June 2009 congressional elections, which saw significant gains by the centrist and center-right parties. The elections were followed by still more agricultural strikes, as Kirchner rejected efforts to eliminate or reduce the controversial export taxes. She needed all the tax revenue she could get to maintain her profligate spending and subsidy policies.

Since then, Kirchner's economic management has continued to be thoroughly irresponsible. In January 2010, she fired Argentine central-bank governor Martín Redrado after he refused to transfer \$6.7 billion worth of foreign-exchange reserves to help the government repay defaulted debt. The dismissal of Redrado "shows how desperate Argentina's government is to get funds to pay debt—a bad sign for a country seeking more foreign investors," the BBC reported.

Foreign investors have also been alarmed by the persistent falsification of official

Argentine inflation data, which began under Néstor Kirchner and has gotten worse during his wife's presidency. According to the *New York Times*, independent economists reckon that Argentina's actual 2010 inflation was somewhere between 25 percent and 30 percent. These are frighteningly large numbers that put Argentina in a league with socialist Venezuela, where inflation has long since spiraled out of control. The Kirchner government maintains that the problem has been greatly exaggerated. But its denials are no longer credible (if they ever were). It is now abundantly clear that Buenos Aires has systemically manipulated economic figures to cover up the extent of price increases and other economic maladies. As the *Times* noted in early February, local Argentine officials and private economists have marshaled "substantial evidence" that "the government's national statistics agency has been grossly underreporting inflation and poverty for four years."

The number fudging has scared off investors, and the inflation itself has taken a major toll on the Argentine poor. "The poverty level is higher now than the worst moments of the 1990s," former Argentine economy minister Domingo Cavallo recently told the *Times*. "Without a doubt, inflation is increasing poverty." Unfortunately, the Kirchner government remains stubbornly resistant to changing course economically. Its attachment to Chávez-style policies—even in the face of double-digit inflation—underscores its ideological character. Like her late husband, Kirchner is a left-wing populist. Also like her husband—and like Hugo Chávez—she has sought to weaken and intimidate private media outlets critical of her administration.

As *Newsweek* put it last summer, Kirchner has effectively "declared war" on Clarín and La Nación, Argentina's two biggest independent media groups. In 2010, she tried to shut down the Internet service provider Fibertel, which is owned by Clarín, and then attempted to seize control of Papel Prensa, a newsprint firm partially owned by Clarín and La Nación. Like her husband, she "has manipulated the distribution of official advertising to economically sanction critical media and reward those that support the government," according to the Committee to Protect Journalists, which notes that this policy was first "institutionalized" under Néstor Kirchner. In early March, the Argentine Supreme Court delivered a stinging rebuke to the incumbent government—and its predecessor—by ruling that all media outlets were entitled to get official advertising. "That is the difference between equal treatment and discriminatory treatment," the court said. One hopes that Kirchner will be sufficiently chastened by this ruling, but her record suggests that she harbors utter contempt for the most basic tenets of press freedom.

Indeed, in her economic policies and her treatment of private media, Cristina Kirchner has been disturbingly similar to Hugo Chávez. She has also strengthened bilateral cooperation with Venezuela, continuing the strategy of her late husband. Meanwhile, relations with Washington have suffered enormously. We can now say, without exaggeration, that Argentina—along with smaller countries such as Bolivia, Ecuador, and Nicaragua—is a member of Latin America's "Chávez bloc."

Caracas, Sí. Washington, No.

By the time that Néstor Kirchner left office, Argentina had become the most anti-American country in the region. A survey conducted by WorldPublicOpinion.org and the Chicago Council on Global Affairs between mid-2006 and early 2007 found that “Argentines are among the most negative about U.S. leadership in the world. Very large majorities do not trust the United States and want it to reduce its military presence overseas.” More specifically, fifty-five percent of Argentines told pollsters that the United States should “withdraw from most efforts to solve international problems”; 84 percent said they did not “trust the United States to act responsibly in the world”; 75 percent said “the United States should reduce the number of military bases it has overseas”; and 62 percent said that “the U.S. is playing the role of world policeman more than it should be.”

Similarly, in the 2007 Pew Global Attitudes survey, only 16 percent of Argentines expressed a favorable view of the United States, compared with 34 percent in 2002. None of the other Latin American countries surveyed in 2007 was anywhere near as hostile. Even in Bolivia and Venezuela—two nations run by anti-Washington populists—42 percent and 56 percent of respondents, respectively, voiced a favorable view of the United States. Pew reported that “the balance of opinion toward the U.S. among Argentines . . . is worse than in any country surveyed outside the Middle East.”

These figures were at least partly a reflection of Néstor Kirchner’s legacy. They indicated the shocking degree of anti-U.S. sentiment in South America’s third-most-populous country. Initially, many analysts argued that Cristina was the more “moderate” of the two Kirchners, and would thus improve relations with the United States. In fact, U.S.-Argentine relations were relatively better when her husband and President Bush were in office. Cristina has promoted fierce antagonism toward Washington and warmed to her ideological ally in Caracas.

To be sure, Argentina and Venezuela still disagree about key foreign-policy issues. For example, whereas Chávez has established a strategic alliance with the Iranian theocracy, Néstor Kirchner expedited an investigation into the 1994 Iranian-backed terrorist bombing that killed 85 people at a Jewish center in Buenos Aires, and he publicly criticized Tehran over its refusal to cooperate. His wife has kept up strong pressure on the Iranians, for which she deserves credit. Argentina has a deeply rooted fascist history and is still plagued by widespread anti-Semitism, but the Kirchners have maintained warm relations with the Jewish community.

Unfortunately, Cristina has also supported the Chávez-led campaign to formally recognize Palestinian statehood. Along with several other Latin American countries—including Bolivia, Brazil, Chile, Ecuador, Guyana, Paraguay, Peru, and Uruguay—Argentina recently endorsed the existence of an independent Palestinian country. (In years past, Palestine had garnered official recognition from Costa Rica, Cuba, Nicaragua, and Venezuela.) The flurry of diplomatic activity represents the culmination of a robust Palestinian lobbying push that was blessed and encouraged by Chávez and former

Brazilian president Lula da Silva, who left office on January 1. Lula had avid enablers in Kirchner and Foreign Minister Timerman.

Speaking of Timerman, his recent remarks guaranteed that the United States and Argentina would begin 2011 on the wrong foot. Weeks before the plane-cargo incident, Timerman blasted conservative Buenos Aires mayor Mauricio Macri for sending a pair of police officers to study at the Salvadoran campus of the International Law Enforcement Academy (ILEA), which was created by the United States during the Clinton administration. Timerman likened the ILEA to the Georgia-based School of the Americas (SOA), a U.S. Army-run training facility that has been unfairly denigrated because of the human rights violations committed by some of its graduates during the era of Latin American military rule. “In the past, they were dedicated to training the military in coup techniques and courses in torture and persecution of political enemies,” Timerman told local media. “It seems to me that these are limits that we shouldn’t cross.”

The SOA is an old bogeyman of the Latin American left, so those comments weren’t terribly surprising. They reflected the fundamental intellectual disposition of Kirchner’s government. But they were also quite imprudent. As Buenos Aires metropolitan police chief Eugenio Burzaco said in response to Timerman, two Argentine federal police officers are currently receiving instruction at the ILEA. Thus, if we accept Timerman’s logic, “the federal government itself is sending [police] to a course where they supposedly torture.”

U.S. diplomats were understandably angered by the Timerman remarks, which came at an inopportune moment for Buenos Aires. Obama’s decision to skip Argentina during his Latin American tour is a sign of diminished Argentine influence in the region. The country is simply not a high priority for the Obama administration, as Assistant Secretary of State Arturo Valenzuela has indicated. And having the Argentine foreign minister suggest that the U.S. operates torture-training programs is not going to win Kirchner any new sympathy in Washington.

The Kirchners’ Baleful Legacy: Less Freedom and Fewer Friends

In October 2008, the *Wall Street Journal* editorialized that Argentina “serves as a cautionary tale on how to ruin an economy.” Since 2003, its ranking in the “Index of Economic Freedom”—published annually by the *Journal* and the Heritage Foundation—has dropped from 68th (out of 156 economies) to 138th (out of 179 economies). In the 2011 index, Argentina ranks behind Haiti, China, and Cameroon. The World Bank’s latest “Doing Business” report places Argentina 115th out of 183 economies. In the most recent World Economic Forum “Global Competitiveness Index,” Argentina trails Guatemala, Rwanda, Trinidad and Tobago, the Philippines, and Algeria.

While the Kirchners have dramatically weakened one of the biggest economies in Latin America, they have also significantly enlarged their own bank accounts. According to Heritage Foundation scholar James Roberts, the amount of personal assets declared by the Kirchners soared from \$2.3 million in 2003 to over \$12 million in 2008. Corruption

has flourished on their watch: In Transparency International's 2010 "Corruption Perceptions Index," Argentina ranks as more corrupt than Tonga and Zambia. In secret diplomatic cables published by WikiLeaks, the U.S. embassy in Buenos Aires has stated that "Argentina's corruption scandals frequently make a big splash at the outset, only to dissipate into oblivion due to the languid pace of the 'investigations' and the endless juridical pingpong to which they are submitted." The embassy has also determined that "Glaring weaknesses in key components of Argentina's anti-corruption architecture point to an emasculated institutional framework incapable of providing needed checks and balances."

Argentine officials are mad that President Obama will not be visiting their country during his swing through Brazil, Chile, and El Salvador. But given its record, the Kirchner government does not *deserve* such a presidential visit. Its attacks on press freedom, its autocratic style, its manipulation of economic figures, its rampant corruption, its hostility toward the United States, and its warm ties with the Venezuelan dictatorship all suggest that Argentina has joined Bolivia, Ecuador, and Nicaragua in the radical Chávez camp. Once a regional leader, Argentina now finds itself increasingly isolated in the hemisphere. It lies about inflation data and depends on economic largesse from an oil-fueled tyranny (Venezuela). Argentina is no longer the "jewel of South America." Today, it is among the "sick men" of South America, both economically and politically. The country can still recover its lost influence—but only if it makes a decisive break with the past eight years of Kirchnerism.

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