

# WEEKLY ASADO

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## *Friends like these: Laboring for labor reform*

Following the October midterms, President Mauricio Macri began pursuing what most analysts consider his most serious challenge: labor reform. In his young presidency, Mr. Macri has often proved his critics wrong. He started his term by settling with Argentina’s holdout bondholders without provoking a rebellion. In December, he pushed through pension reform, despite violent protests outside congress. So far, however, his attempts to rewrite the labor code are proving as difficult as predicted.

Last month, Mr. Macri postponed a special February session of congress dedicated to labor reform. For the record, the government said it remained optimistic that the new congress would quickly pass the reforms following its summer recess. On January 3, Argentine lawmakers in Washington for the [launch](#) of the House Argentina Caucus [expressed](#) similar optimism. Nevertheless, it looks like Mr. Macri faces a hard slog fixing Argentina’s labor code – a notorious political third rail, but also a major impediment to economic competitiveness. (In the Global Competitiveness Index, “restrictive labor regulations” are listed among the biggest headaches for businesses in Argentina. That said, the government reported an increase of 226,000 jobs from August 2016 to August 2017.)

The crucible is winning union support – especially from the powerful, divided and unpredictable Confederación General del Trabajo. Until recently, the CGT had not opposed the labor reform bill, providing moderate Peronists in congress the cover to negotiate with Mr. Macri. But last month, several CGT leaders came out against the legislation, which would create incentives to lure workers into the formal sector; reduce labor-related litigation; and take additional steps to reduce the high cost of labor in Argentina. Suddenly, the leader of the moderate Peronists in the Senate, Miguel Ángel Pichetto, 67, of Río Negro, saw “no urgency” to debate the reforms.

This puts Mr. Macri in a bind. Pension reform in December was more difficult than anticipated, leaving less political capital available for a knock-down-drag-out labor battle. So to bring the congressional opposition on board, Mr. Macri has few options other than courting union leaders, or intimidating them. (There are tax evasion and money laundering investigations into the Moyanos, who run the truckers union, which have increased tensions with Mr. Macri. In response, the family's patriarch, Hugo Moyano, attacked Mr. Macri's father, saying, "If I have to go to prison, I ask only one thing: to be in a cell next to Franco Macri's.") For now, the delayed congressional debate buys Mr. Macri a few weeks. But it is not yet clear whether conditions will have changed by the time Mar del Plata and Punta del Este empty out for the season.

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### ***Extraordinary and Plenipotentiary: Prado nomination advances***

President Trump is not known for vigorously staffing the U.S. government. The Washington Post and Partnership for Public Service have been tracking the [1,200 presidential appointments](#) that require Senate confirmation, and report that of the 635 most important jobs, only 244 nominees have been confirmed. Mr. Trump's overall confirmation rate is far behind the pace set by the last four presidents. But after Mr. Trump finally announced an ambassador-designate for Argentina, after a yearlong vacancy, Federal Judge Edward C. Prado's nomination moved swiftly to the next stage. Mr. Trump announced the nomination January 17 and just two days later, the Senate had received its formal notice (Nomination Number: PN1501-115). The nomination has been referred to the Senate Foreign Relations Committee, which will schedule a confirmation hearing.

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### ***One Belt: Cinched tight***

Monkey Cage • Analysis

## **China is investing seriously in Latin America. Should you worry?**

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By Stephen Kaplan January 24

Speaking of The Washington Post, my Wilson Center colleague Stephen Kaplan recently [argued](#) in a guest column that Chinese foreign investment is "more pragmatic than ideological." His piece did not reference Argentina (though we discussed it in a podcast [interview](#)), but the Argentina case would appear to offer supporting evidence. From 2005 to 2016, China's policy banks loaned Argentina \$15.3 billion, according to the Inter-American Dialogue's [China-Latin America Finance Database](#). That lending – 11 percent of all Chinese financing to Latin America – occurred primarily during the presidency of the leftist leader Cristina Fernández de Kirchner. But Mr. Macri, a pro-business moderate, has not distanced Buenos Aires from Beijing by an inch. Last May, he visited Xi Jinping, and he has apparently retained an \$11 billion line of credit from Beijing. A new [report](#) by the UN's Economic Commission for Latin America and the Caribbean also illustrates the continued close commercial relationship. For last year, CEPAL estimates that the value of the trade in goods between Latin America and China grew by 16 percent, to \$266 billion. Argentina is a major regional trading partner for China, particularly in farm products. That said, despite Mr. Macri's appetite for deepened economic ties to China, not everyone in Argentina cheers the economic relationship. Though increasingly diverse, trade with China still fuels fear of de-

industrialization (sometimes defined as a declining share of manufacturing in total employment); in 2016, commodities accounted for 72 percent of Latin America's exports to China, compared to just 27 percent of its shipments to the rest of the world.

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### *School's out for summer: School's out forever*



Argentine lawmakers are no strangers to extraordinary sessions, but the sun does set on occasion on the Palacio del Congreso. Mr. Macri seized the opportunity of one such summer slumber last month to appoint five ambassadors by decree. Typically, as in the United States, an Argentine president needs Senate confirmation for ambassadorial appointments. But during congressional recesses, appointments *en comisión* are permitted. Hence, Fernando Oris de Roa was sent off to the Argentine Embassy in Dupont Circle, while other political appointees packed their bags for Ecuador, Paraguay, Uruguay and the Mercosur customs union. The ambassadors can serve through the end of the year without a Senate vote.

The recess appointments are an understandable temptation. But it was still surprising, given Mr. Macri's rocky experience with executive orders. In January 2016, shortly after his election, Mr. Macri appointed two supreme court justices, Carlos Rosenkrantz y Horacio Rosatti, by decree. The decision provoked a widespread outcry, and the president quickly backed down and instead sought Senate confirmation. Last December, while pursuing pension reform, public outrage over rumors Mr. Macri might make changes by decree convinced the president to go through congress. The same month, Mr. Macri permitted the expiration of a 16-year-old economic emergency law that had given Argentine presidents special authority over taxes and debt.

Now, however, it looks like Mr. Macri is forgetting that lesson. In addition to the ambassadorial recess appointments, on January 10, Mr. Macri announced 170 regulatory reforms designed to reduce red tape. The *desburocratización* bill – known as a *megadecreto* to fans and a *decretazo* to critics – provoked new questions about whether yet another Argentine president was abusing his *decreto de necesidad y urgencia* authority. Lawmaker Marco Lavagna, a moderate Peronist, condemned the decision as the type of executive overreach that has led to the “*deterioro institucional que sufre Argentina hace muchos años.*” He added: “*Hay que respetar la división de poderes.*” Congressional opprobrium is more than a political problem: The executive order could be vetoed if both houses of congress reject it.

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### *Soft powder: Soft power*



Argentina is still a divided society. In the October midterms, Mr. Macri’s most hardline opponent, Ms. Fernández de Kirchner, was the most popular alternative to the government. (She and her allies attracted 21 percent of the vote nationally.) But by necessity, Mr. Macri has sought bipartisan cooperation, and has had surprising success cobbling together coalitions with moderate Peronists. In that effort, he has deployed an unusual tool: Switzerland. In 2016, Mr. Macri traveled to the World Economic Forum, in Davos, with his formal archrival Sergio Massa, a high-profile gesture of magnanimity and pragmatism. Last year, Mr. Macri skipped Davos, sending instead four ministers and the central bank president. But last month, he again offered the opposition a summertime snowstorm, inviting Salta Governor Juan Manuel Urtubey to join him in the “Casa Argentina,” where he hosted Bill Gates and the CEOs of Cargill, Coca-Cola, Siemens and Total, and filmed a series of hip promotional videos with an electronic Tango soundtrack no doubt inspired by the [Argentina Project Podcast](#). Ultimately, Mr. Urtubey passed on the invitation to join Mr. Macri, Treasury Minister Nicolás Dujovne, Commerce Minister Francisco Cabrera and Energy Minister Juan José Aranguren in Switzerland. The governor said he was staying behind to address the closure of a local business. Normally, that would smell like a snub, but it was believable because of Mr. Macri’s effective outreach to the opposition – and because Mr. Urtubey, who has presidential ambitions, recently learned the importance of tending to his local constituents, after Mr. Macri’s Cambiemos coalition [defeated](#) Mr. Urtubey’s party in the Lower House elections in October, 31 percent to 24 percent.

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### *Myths and Heroes: Argentina at the Getty*



On Sunday, the Getty Museum in Los Angeles closed an exhibit that opened a rare window into Argentine history. The [exhibit](#), “Photography in Argentina, 1850-2010: Contradiction and

Continuity,” is part of a Getty-sponsored project on Latin American art and culture called “Pacific Standard Time: LA/LA.” It featured 300 photos by 60 photographers, divided into seven thematic sections: Civilization and Barbarism; National Myths: The Indigenous People; National Myths: The Gaucho; National Myths: Evita and the Modern City; The Aesthetic Gesture; The Political Gesture; and Fissures. In the “National Myths” section, photographs showed the transformation of Evita into a national symbol, and the creation of a romanticized image of rural life through gaucho iconography.

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***Long-awaited: Long-winded***

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Wilson Center  
Ronald Reagan Building and International Trade Center  
One Woodrow Wilson Plaza  
1300 Pennsylvania Ave., NW  
Washington, DC 20004-3027  
T 202-691-4000

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