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Macri: The New Year Agenda



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With a modest year-end performance in the polls, Argentine President Mauricio Macri heads into the new year riding the bounce from a relatively successful G-20 summit in Buenos Aires, and quietly confident he can win re-election in 2019.

Before the summit, the president's anxious supporters feared a grim holiday season. Following this year's currency crisis, the economy is shrinking, poverty is rising and observers were bracing for year-end violence that could have forced Mr. Macri to reconsider his reelection campaign. Instead, despite social tensions, the country is calm and the president's popularity is rising, albeit from a deep hole.

“The president looks stronger coming out of the summit, and I see a man who has made his mind up” to run for reelection, a senior official said in an interview, noting a seven-point increase in Mr. Macri's approval ratings, to 39 percent, in the latest Poliarquía poll. “It seems he's determined to run again, and to run to win.” (The official spoke on background per government protocol.)

What changed? For one, Mr. Macri avoided any number of pitfalls during the G-20 gathering that brought world leaders to Buenos Aires. Unions

threatening a general strike settled for a one-time Christmas bonus instead, and the capital became unusually tranquil thanks to high security and the declaration of a national holiday.

As a result, Mr. Macri far exceeded expectations. (“Everybody expected it to be a fiasco,” Christine Lagarde, the International Monetary Fund’s managing director, famously admitted after the summit.) For a moment, Argentina, which spent the year as a punchline and international charity case, basked in the glow of global admiration, as everyone from President Trump to Xi Jinping and Vladimir Putin visited and expressed support for Mr. Macri’s ambitious reform agenda.

“The tone of his meetings with world leaders was extraordinarily supportive,” a senior foreign ministry official said in an interview. (He also requested anonymity.) “The message for the president was: We want you to succeed.”

That said, the challenges for Mr. Macri heading into this critical election year are daunting. The year-end inflation rate is expected to be 47 percent – a far cry from the government’s 15 percent forecast at the beginning of the year. Interest rates stand at an astronomical 60 percent. Meanwhile, poverty, Mr. Macri’s number-one priority, is rising again, and now exceeds a third of the population, according to the Universidad Católica Argentina’s closely watched index.

In these conditions, consumer confidence has fallen precipitously. But there is some optimism that the storm has passed, to use Mr. Macri’s preferred metaphor. “We’re touching the bottom, yes, but I see positive signs of recovery in the middle of next year,” Paolo Rocca, CEO of the engineering giant Techint, said recently while announcing a billion-dollar investment in Vaca Muerte, Argentina’s giant Patagonian shale play.

The government hopes that investments in Vaca Muerte – coupled with rising farm yields and a boost in tourism and exports resulting from the peso devaluation – will bring about an economic recovery in time for the October election. That would help Mr. Macri meet his goal of halving the inflation rate next year, and hit IMF budget targets without further painful cuts in public spending.

Even a modest recovery could permit Mr. Macri’s reelection, despite his low approval rating. That is thanks to the fractured opposition, which will likely deprive any candidate of a first-round victory. In an expected second round against Mr. Macri’s predecessor, Cristina Fernández de Kirchner, Mr. Macri could shift the conversation from his economic performance to his opponent’s considerable baggage, including a range of corruption charges. Mr. Macri’s policial adviser, Jaime Durán Barba, is reportedly eager for a debate about Ms. Fernández de Kirchner’s qualifications to return to the Casa Rosada.

Given Argentina's economic performance under Mr. Macri, the election will no doubt be a close-run affair. But for now, it appears the president will end the year with a rare commodity for his beleaguered administration: political and economic momentum.



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