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ANALYSIS - Argentina's Milei Needs to Muster Legislative Support, May Still Fail to Enact Reforms

/ ARGENTINA / MILEI / PRESIDENT /

MOSCOW, November 22 (Sputnik), Kirill Krasilnikov - Argentine President-elect Javier Milei will have to join forces with other political parties in the parliament to implement his economic agenda, although he is unlikely to make good on many of his promises anyway, experts told Sputnik.

Last Sunday, Milei won the runoff of the presidential election by defeating the candidate of the ruling Union for the Homeland alliance and Economy Minister Sergio Massa. Milei, who belongs to the far-right libertarian La Libertad Avanza coalition, will take office on December 10. He advocates ditching the local currency for the US dollar, abolishing Argentina's central bank, withdrawing the country's membership of the Mercosur trade bloc, and stands for a foreign policy oriented toward the United States and Israel.

Despite winning the presidency, Milei's party will hold 38 out of 257 seats in the lower house and seven out of 72 in the upper house, meaning that he will have to seek assistance from other political forces despite his previous sniping at the

Argentine political establishment.

"Milei needs to forge a coalition to improve his minuscule legislative support. Part of the center-right Republican Proposal (PRO) already supported Milei in the second round, and the morning after winning the election he met with PRO main leaders, former president Mauricio Macri and the recent presidential candidate and PRO president, Patricia Bullrich," Ignacio Arana Araya, assistant professor at the Institute for Politics and Strategy at Carnegie Mellon University, said.

At the same time, the alliance between La Libertad Avanza and the center-right PRO has already divided the centrist Juntos por el Cambio coalition, to which the latter belongs, and still will not provide Milei with majorities in either chamber, according to Kurt Weyland, the Mike Hogg professor in liberal arts in the department of government at the University of Texas at Austin.

"Given his rightwing ideology; rhetorical stridency (attacks against 'the political caste'); highly controversial policy proposals, Milei will find it very difficult to obtain majority support in Congress," Weyland explained.

POTENTIAL REFORMS

The Argentine president-elect will have many problems to deal with. The country is facing a deep economic crisis, with annual inflation exceeding 140% in 2023. Salaries are lagging far behind skyrocketing prices, with roughly 40% of the population living below the poverty line. In addition, having

spent its international reserves, Argentina must pay its multi-billion dollar debt to the International Monetary Fund (IMF).

"The economy is in deep crisis, so he [Milei] will be compelled to take drastic measures. But the radical austerity measures that he proposes will be hugely controversial; and he may not even be able to enact them," Weyland said, adding that Macri will probably try to persuade Milei to avoid extreme and politically risky impositions despite Macri's more gradual and cautious approach failing in 2016-2019.

The expert also said that Argentina has a very tight system of checks and balances as well as federalism, which limit presidents, and that strong public support for Peronism — a populist movement founded by the late President Juan Peron that has dominated the country's political scene since the mid-20th century — makes drastic changes politically risky.

Arana Araya, for his part, doubts that Milei can deliver on his promises, including dollarization.

"Milei only has a tiny amount of support in Congress and needs the legislature to approve his proposal. This means he would need to bypass Congress to dollarize. He has proposed to bypass Congress through a referendum. But even if he manages to do so, he needs Argentinians to support the proposal," he said.

The expert also noted that apart from procedural hurdles there are also enormous financial obstacles, such as the central bank not having enough dollars to replace the existing

national currency, the peso, as well as a lack of good access to international financial markets.

"There are also important groups that would oppose the dollarization. Besides the political left, exporters would oppose because they are paid in dollars and remain very influential in the Argentinian economy and politics," he concluded.

Sebastian Galiani, a former secretary of economic policy and deputy minister with the Argentinian Ministry of Treasury, said that economic reforms are always difficult in Argentina although not impossible.

"The main focus in the short term is a fiscal adjustment that allows for closing the fiscal deficit and reducing inflation. Other important reforms include labor reform, pension reform, greater commercial and financial integration with the world, and finally, a comprehensive tax reform," Galiani, who is now an economics professor at the University of Maryland, said.

Meanwhile, Juan Javier Negri Malbran, a professor at the department of political sciences and international studies at Universidad Torcuato Di Tella in Buenos Aires, said that Milei's economic agenda will become more moderate, although it will depend on what happens up to December 10.