



Javier Milei's victory and the expected shifts in Argentina's foreign policy: a new regional political map?

Santiago Boffi

March 2024

Introduction

The newly elected president of Argentina, Javier Milei, took office in December 2023 after winning the election with a significant victory over the Peronist party candidate¹. This was not just another election for South America's second-largest economy² but a change of era with economic and political impacts yet to be explored.

Milei was able to interpret like no one else the dissatisfaction of the Argentine society with a ruling class that did not know how to respond to the deep economic crisis afflicting the country, with one of the highest inflation levels in the world that caused a decrease in real wages and more than a decade of economic instability³.

His victory marks a departure from the dominance of traditional political parties in the country. For the first time since the return to democracy, a candidate from a newly emerging party, without a majority in either chamber of Congress or governorship, has managed to win the presidency.

Although the focus of his electoral campaign was the economic crisis —with his proposals to drastically lower public spending and dollarize the economy— Milei also clearly expressed his vision of international politics, pointing to right-wing and conservative figures such as the former Brazilian President Jair Bolsonaro, former U.S. President Donald Trump and the president of the Spanish VOX party, Santiago Abascal, as his referents.

During his first month in office, he showed signs of a radical shift in the country's foreign policy, which was previously dominated by the agenda of the Peronist party.

Political context

¹ <https://resultados.gob.ar/>

² <https://www.imf.org/en/Data>

³ <https://www.indec.gob.ar/>

Argentina's foreign policy has been influenced by the views of the different presidents and political parties that have governed since the return to democracy. This has meant that, far from being a state policy, the country's international insertion and regional links have often fluctuated according to political changes.

In the years following the significant Argentine crisis in 2001, Néstor Kirchner and his wife, Cristina Fernández, took office and profoundly influenced the country's politics. The former governed between 2003 and 2007, and the latter between 2007 and 2015. During their three periods in office, the Kirchner couple, belonging to the left wing of the Peronist party, gave their stamp to Argentina's foreign policy. In regional matters, they have a strategic alliance with Brazil through their close ties with the Workers' Party (PT) led by Lula da Silva, having also a good relationship with Hugo Chávez in Venezuela, Evo Morales in Bolivia, and Rafael Correa in Ecuador.

During the first decade of the 21st century, the rise in the price of international commodities provided the region with significant foreign exchange income, allowing it to enjoy a period of prosperity reflected in its economic growth and poverty reduction. This favored the emergence of important social programs in most Latin American countries and the deepening of alliances between various left and center-left governments, which sought greater regional integration and fostered closer ties with China, which was gaining ground as a buyer of commodities. Examples include the creation of the Union of South American Nations (UNASUR) to politically strengthen these strategic alliances and the rejection led by Brazil, Argentina, and Venezuela's governments spearheaded the opposition to the integration of South America into the Free Trade Area of the Americas (FTAA), an initiative driven by the United States.

In 2015, Peronism lost the election in Argentina. The new government, the product of an alliance of non-Peronist center-wing parties named "Let's Change" (*Cambiamos*), won the elections with a foreign policy proposal that advocated for a "greater openness to the world" and to break the relationship with the regimes of Venezuela, Cuba, and Nicaragua. During this period, efforts were made to strengthen the ties between MERCOSUR⁴ and the European Union and to be accepted as a member of

⁴ MERCOSUR, the Spanish abbreviation of *Mercado Común del Sur* or Southern Common Market, is a South American trade bloc created in 1991. Their members are Argentina, Brazil, Paraguay, and Uruguay. Venezuela is a member but is now suspended, and Bolivia is in the process of integration. Chile, Colombia, Guyana, Perú, and Surinam are associated states but not state parties in the bloc

the Organization for Economic Co-operation and Development (OECD)⁵. In addition, during the 2018 financial crisis, assistance was sought from international credit agencies, particularly the International Monetary Fund (IMF)⁶. Despite this, there was a continued policy of maintaining strong ties with Brazil and China, Argentina's primary trading partners.

With the economic crisis worsening, Peronism returned to power with the formula Alberto Fernández - Cristina Fernández, taking the two-times-former president now in her new role as vice-president. During their time in office, in a context characterized by the COVID-19 pandemic and the economic crisis, the country did not have a clear international strategy, partly due to ideological and strategical differences within the presidential formula and inside the party.

Figure 1. Presidential Terms in Argentina (2003-present)



Main campaign proposals on foreign policy

Milei, as a presidential candidate, built his communication strategy on rejecting the *status quo* and arguing that the political class caused the economic crisis. In this way, he managed to represent the general anger of the population with traditional politicians. His proposals consisted of a shock policy that would eliminate the fiscal deficit, reduce the size of the State, privatize public enterprises, and dollarize the economy as a solution for endemic inflation.

As regards foreign policy, although it was not the main focus of his campaign — something usual in Argentina where domestic matters are usually the most essential issues in presidential campaigns— he made different statements that aligned with his proposal of radical changes. In the first place, he repeatedly stated that his

⁵ <https://www.oecd.org/latin-america/paises/argentina/>

⁶ Goñi, U. (2023): <https://www.theguardian.com/world/2018/sep/26/argentina-imf-biggest-loan>

strategic allies would be the United States and Israel if he won the election. In combination with this, he affirmed his desire to interrupt or cool political relations with China and Brazil, which attracted much attention from business sectors concerned about his inflexible stance with the country's leading trade allies.

First actions as president

From the presidential inauguration ceremony, Milei gave us some hints about his vision of the type of insertion of Argentina in the world he intends to achieve. These positions were often made informally since the electoral platform of Milei's party, Freedom Advances, did not include a specific section on foreign policy⁷. At the international level, the most important visit was that of the Ukrainian Premier Volodymyr Zelenskiy, showing Milei's involvement in the European conflict and marking a distance from the previous government, which had remained neutral in the conflict, as it had a good relationship with Russia. On the other hand, the invitation to former Brazilian president Jair Bolsonaro further cooled relations with Brazil.

Additionally, some concrete actions carried out during the initial month of his administration may serve as indicators of its future actions. In the first place, Argentina's new government refused to join the BRICS bloc⁸, to which Argentina had been invited through the intermediation of Brazil⁹. This goes hand in hand with the search for a greater rapprochement with the United States and Europe instead of participating in blocs in which China has greater relevance. In line with this statement, the Argentine Foreign Minister, Diana Mondino, stated that the government would pursue membership in the OECD¹⁰, a bloc Argentina had already applied to join in 2016¹¹.

⁷ <https://www.electoral.gob.ar/nuevo/paginas/pdf/ON%20135%20LA%20LIBERTAD%20AVANZA%20PLATAFORMA.pdf>

⁸ <https://english.elpais.com/international/2023-11-30/argentina-wont-join-brics-as-scheduled-says-member-of-mileis-transition-team.html>

⁹ The BRIC group initially consisted of Brazil, Russia, India, and China. The acronym was coined by the economist Jim O'Neill, who grouped these countries together as the major emerging markets of the future. In 2021, South Africa joined, and the bloc was renamed BRICS. In 2023, the bloc expanded to include Saudi Arabia, Egypt, the United Arab Emirates, Ethiopia, and Iran. More information in: McDermott (2023).

¹⁰ <https://www.labolsa.com.ar/la-argentina-firmara-el-ingreso-a-la-ocde/>

¹¹ <https://www.oecd.org/latin-america/paises/argentina/>

Possible future lines of discussion

It is complicated to predict the incoming government's foreign policy actions accurately. Perhaps the two major uncertainties are the impact this will have on MERCOSUR, given that now three countries —Argentina, Uruguay, and Paraguay— have a more open trade stance that could potentially lead to conflict within the bloc. The upcoming elections in Uruguay in October 2024 will be crucial in determining the political landscape. The free trade agreement MERCOSUR-European Union, something that has already been tried in the past but with little success, may be placed on the agenda once again. In this context, the position of France, which has always been reluctant to sign the deal, will be crucial.

Regarding regional alliances, South America is prone to generating political blocs associated with its leaders' ideological affinities —there are exceptions, such as Chile, of countries with more stable and long-term foreign policy—. The question remains whether Milei will seek to lead a "pro-market" and "right-wing" bloc together, possibly with the presidents of Paraguay, Santiago Peña; Ecuador, Daniel Noboa; and Luis Lacalle Pou of Uruguay.

Another relevant point is the positioning *vis-à-vis* the two great world powers with regional interests: the United States and China. Argentina and Brazil, the leading economies of South American countries, have historically shown a neutral position, having economic and political contacts with both powers. However, Milei's campaign statements cast doubt on this vision, and it is unclear what the future interaction will be. This topic is essential for Argentina's domestic economy because it needs to increase its international reserves and renegotiate its debt with the IMF. In this discussion, the United States wields considerable influence over crucial votes regarding debt renegotiation within the multilateral organization. At the same time, China stands as Argentina's second-largest export market and has historically provided SWAPS to help alleviate the shortage of foreign currency faced by Argentina's Central Bank.

Conclusions

Foreign policy typically is not in the spotlight of Argentina's political agenda, as public opinion tends to focus more on domestic issues. However, Milei had expressed a clear position on his insertion into the world and foreign policy. During the campaign, his speech was characterized by the need to make profound and fast changes in the

country's structure, including his ideas about the country's relationship with the outside world. Whether these proposals will be implemented or the lack of consensus will force him to negotiate with more moderate sectors remains to be seen.

At the regional level, important debates will take place in the coming years. In the first place, the relationship with Brazil and, mainly, the role of MERCOSUR. The outcome of the upcoming elections in Uruguay is essential in this regard, as well as analyzing the possible future of the free trade agreements within the regional bloc. The second aspect is how the China-United States-Latin America triad will develop and the specific insertion of Argentina within this discussion. Thirdly, it remains to be seen if Milei's victory will lead to a new political map in South America. These actions will be influenced by the local political agenda and Milei's possibilities to foster his economics and political reforms without controlling Congress. During his first month in office, it became evident that he would need to engage in discussions amid a growing backdrop of social and political turmoil. The outcome will depend on the success of his proposals to overcome the economic crisis. The answer will become apparent in the forthcoming months.

Santiago Boffi, March 2024. Buenos Aires

References

Buenos Aires Stock Exchange. (December 11, 2023). Argentina will sign the entry into the OECD. Retrieved from:

<https://www.labolsa.com.ar/la-argentina-firmara-el-ingreso-a-la-ocde/>

International Monetary Fund (IMF) (n.d.). Data and country information. Retrieved from: <https://www.imf.org/en/Data>

MERCOSUR. (n.d.). Official Page of MERCOSUR. Retrieved from: www.mercosur.int

National Electoral Chamber of Argentina. (n.d.). Electoral platform of Libertad Avanza. Retrieved from:

<https://www.electoral.gob.ar/nuevo/paginas/pdf/ON%20135%20LA%20LIBERTAD%20AVANZA%20PLATAFORMA.pdf>

National Electoral Chamber of Argentina (n.d.). Electoral Results by election. Retrieved from: <https://resultados.gob.ar/>

National Institute of Statistics and Censuses (INDEC) (n.d.). Official Page: <https://www.indec.gob.ar/indec/web/Institucional-Indec-QuienesSomosEng>

Organization for Economic Co-operation and Development (OECD) (n.d.). La OCDE y Argentina: una relación de beneficio mutuo. Retrieved from:

<https://www.oecd.org/latin-america/paises/argentina/>

El País España – English Edition (December 1st, 2023): Argentina won't join BRICS as scheduled, says member of Milei's transition team. Retrieved from:

<https://english.elpais.com/international/2023-11-30/argentina-wont-join-brics-as-scheduled-says-member-of-mileis-transition-team.html>

Goñi, U. (September 18, 2018). Argentina gets biggest loan in IMF's history at \$57bn. The Guardian. Retrieved from:

<https://www.theguardian.com/world/2018/sep/26/argentina-imf-biggest-loan>

McDermott, J. (November 13th, 2023). The BRICS are expanding. The Economist. Retrieved from:

<https://www.economist.com/the-world-ahead/2023/11/13/the-brics-are-expanding>