Argentina at the Crossroads Again
Implications for the United States and for the Region

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The inauguration of Argentine President Mauricio Macri on 10 December 2015 started a dramatic transformation for the country and its relationship with the region. The incoming president began his work under the most difficult of circumstances, symbolized by the refusal of his predecessor, Cristina Fernández de Kirchner, to keep with decorum and publicly hand over the presidential sash. More problematically, her...
outgoing team reportedly provided almost zero transition support, and in some cases, took computer hard drives and otherwise removed or destroyed data needed by the incoming government.¹

Macri’s legislative achievements in his first year in office were remarkable. Although his Cambiemos (Change) coalition was a minority in both houses of the Congreso de la Nación Argentina (Argentine National Congress), his government passed approximately ninety laws during the period, working with dissident members of the previously in power Peronist Party and using the national government’s significant financial contribution to provincial budgets as leverage in influencing their senators.

During his first year, Macri moved quickly to resolve outstanding debt claims against the country and reestablish its access to international financial markets, to reduce costly subsidies to public utilities, to lower export taxes undermining agricultural and mining output, and to correct other economic distortions. Within that time, he also declared a national emergency and frontally attacked narcotrafficking and rising criminality in the country, redeploying elements of the elite police gendarmerie, giving new life to Argentina’s Financial Intelligence Unit, and authorizing the military to protect the nation’s airspace against drug flights.

In foreign policy, Macri took significant steps to broaden and reorient the country’s international engagement, rebuilding Argentina’s relationship with the United States while continuing to do business with extraregional actors such as China and Russia, albeit through a more conservative filter of Argentine laws and institutions. He also sought to diversify those relationships to include expanded engagement with a broader range of actors such as Japan, Korea, and others while taking a critical stance toward Venezuela and other populist-socialist regimes within the hemisphere.

While not by design, Macri’s reorientation of Argentina advances the interests of the United States and the region. While his administration’s policies and legislative initiatives have been controversial within Argentina and are not beyond reproach, they have launched Argentina on a constructive new path that, if successful, will not only contribute to the development and prosperity of Argentina, but will also strengthen the institutional framework of the region.² The outcome of Macri’s efforts will almost certainly influence debates in the region.

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¹ PEDRO JUAN CABALLERO
² CAMPAÑA
regarding development policies and foreign engagement. If successful, Argentina could serve as an example for others regarding how a competent bureaucracy—applying technically sensible, market-oriented policies while working to strengthen institutions, transparency, and rule of law—can advance security, prosperity, and development. With respect to foreign policy, Argentina will showcase how the United States treats its friends, even while highlighting a path for how a nation can participate as a dignified, sovereign actor in the international system, benefiting from interactions with a broad range of international players and constructively participating in international institutions.

This article examines the policies of the Macri government with an emphasis on security and defense policies and foreign engagement, including their significance for the United States and the region. It concludes with policy recommendations for how the United States can help Argentina succeed on its promising new path.

Argentina’s Fight against Narcotrafficking and Insecurity

During the administrations of Néstor Kirchner and his wife, Cristina Fernández, from 2003 through 2015, Argentina became a significant transit country for cocaine and other drugs originating in Peru and Bolivia, principally destined to supply the European market. Contrary to widespread perception that the principal drug transit problem is narcoflights, most drugs move through Argentina overland or by river (see figure, page 28).3 Cocaine, for example, is most typically smuggled across the porous land border with Bolivia, where it is accumulated into larger quantities that are periodically shipped south in trucks and other vehicles to Argentina’s principal population centers including Córdoba, Rosario, and Buenos Aires. A principal alternative method is to load drugs onto barges on the Paraguay River (generally near the drug-hub Paraguayan city of Pedro Juan Caballero), and then smuggle them down the Paraguay and Parana Rivers (sometimes in combination with contraband commercial products) to major Argentine ports such as Rosario, Campana, or Buenos Aires. The route from the interior of the continent down the Paraguay and Parana Rivers presents particularly significant challenges, since the quantity of commercial barge traffic on the river is enormous, and its status as an international waterway impedes the Prefectura Naval (Argentine Coast Guard) from inspecting vessels without probable cause.

At the major Argentine ports, the drugs are smuggled onto container ships and other oceangoing vessels for shipment across the Atlantic to Africa and eventually Europe. Argentine enforcement efforts have also sometimes forced traffickers to use ports further to the south such as Mar de Plata and Bahía Blanca, as well as the Port of Montevideo, where the Uruguayan government has relatively fewer resources monitoring maritime commerce for narcotics.4

With time, the flow of drugs through Argentina’s major population centers has created an expanding local drug market for products such as low-purity cocaine, highly addictive and lethal alternatives such as “paco” (similar to “crack” cocaine), and, for more affluent consumers, synthetic drugs principally imported from Europe.5 These drugs have fueled expanding violence and insecurity in the greater Buenos Aires area (conurbano) and other major urban centers. Rosario, as a commercial and narcotics hub port, fed by drug flows from the north along both Route 9 and the Parana River, is contested by multiple narcotrafficking groups. The city—and more broadly, the province of Santa Fe in which it is located—has become one of the most dangerous parts of the country.6

The drug challenge in Argentina is further complicated by the fractured nature of the criminal landscape. Numerous small groups are involved in different parts of the smuggling and transforming of drugs, and innumerable small gangs play a role in drug distribution and crime in the more troubled neighborhoods of the conurbano. While there are individual Colombian, Mexican, Bolivian, and Peruvian narcotraffickers in the country, the major cartels of the region such as Sinaloa and Jalisco Nueva Generación (Mexico) and the Gulf Clan (Colombia) have not yet made a meaningful effort to dominate...
and organize the market. Indeed, even external drug demand is fractionalized, with a range of actors that includes the Italian mafia and even Serbians.7

One of Macri’s first major policy actions upon assuming office in December 2015 was to declare a national drug emergency, and through Decree 228, to task the military to support the Ministry of National Security and provincial and local forces in combating the threat.8 Given that Argentina’s 1988 defense law explicitly prohibits the military from engaging in an internal security role, its principal tasking under the decree has been limited to operating radar systems and patrolling the national airspace to deter drug flights in support of “Operation Northern Shield.”9

Argentina’s military has expanded radar coverage against drug flights by increasing the number of operating hours of radar systems positioned in the north and deploying new radar systems (including those produced domestically) to the north of the country, although efforts have been impeded by local governments such as that of Formosa Province, which has moved slowly in building the infrastructure necessary to support the deployment of the new radar systems.10 The Argentine Air Force also has a small number of aging Pucara, Pampa, and A4 aircraft to use as interceptors, but their age creates maintenance issues that severely restrict their availability.11 Such challenges notwithstanding, and although the Argentine military has not shot down a single aircraft, the act of deploying these radar systems and interceptor aircraft has contributed to a 20 percent decrease in suspected narcoflights detected during the past year.12

The Macri government has not, however, confined the focus of its counterdrug collaboration to the military. To overcome longstanding challenges of communication and coordination between federal and provincial organizations, the Macri government is working to establish a series of five intelligence fusion centers, with the first to begin operating in Jujuy Province in early 2017.13 With the support of the U.S. Drug Enforcement Administration, it has also established a series of interagency task forces, also focused on the north, with the first established in the province of Salta in late 2016 and one slated to begin functioning in the province of Misiones during the first half of 2017.

The Macri administration is also committed to combatting money laundering. In March 2016, Argentina’s Financial Intelligence Unit renewed cooperation with the U.S. Department of Treasury’s Financial Crimes Enforcement Network. Cooperation had been suspended by the United States after the Fernández government used U.S. financial intelligence against political opponents.14 Furthermore, in order to combat the risk of corruption in the security forces generated in the course of their fight against narcotrafficking, the government has implemented new regulations and laws, including one obliging all organizations within the national security ministry to declare their assets, as a vehicle for identifying illicit enrichment.

At the subnational level, the government has established a new high-level police school to increase the capability and standardization of provincial-level police, such as the notoriously corrupt Bonarense (of the province of Buenos Aires).15 And, in order to enhance security in troubled urban areas with limited police resources, the government has deployed elements of the gendarmerie, its elite militarized police, to such neighborhoods, albeit at the cost of drawing them away from other missions such as border security. Indeed, in December 2015, in an effort to make an additional 1,500 gendarmerie available for urban patrolling, the Minister of National Security asked Macri for a decree assigning the military to protect critical infrastructure such as hydroelectric facilities, currently the responsibility of the gendarmerie.16

**Military Capacity Building**

When Macri took office, he inherited a military demoralized by predecessor governments, which had severely limited its budget, publicly ignored it or emphasized its role in the “dirty war” against leftist insurgents during the 1970s, and regularly interfered with its internal system for the promotion of officers.17 During the Fernández administration, the government moved from a threat-based to a capabilities-based acquisition planning model, removing the military’s ability to use external threats to politically argue for its budget, even while not funding the capabilities that the military planned for under the new methodology.

**Argentine military budget.** By the time Macri took office, procurement and operations spending had become so reduced that 80 percent of the military budget was dedicated to personnel. Argentine Air Force assets had become deteriorated to the point that the military was hard pressed to scramble two aging fighters to intercept
a small Cessna aircraft that had inadvertently entered restricted airspace during President Barack Obama’s visit to the country in March 2016; if the acquisition of new aircraft continues to be delayed, the Argentine armed forces are projected to have no fighter-interceptor capability whatsoever by 2018.18 Argentina’s only icebreaker had been in dry dock awaiting funding for repairs for so long (seven years) that when it was finally ready for sea trials, the channel had filled in with mud and needed to be dredged before the ship could leave the port. The Argentine navy’s three submarines had reportedly spent so few days at sea that an analysis by Jane’s Sentinel Security Assessment-South America argued that Argentina had effectively lost its subsurface capability.19

The Macri administration was able to give the military a small budget increase for 2016 and eliminated billets for twenty-three general officers to free up resources for modernization. Yet, the increase in operating costs to support the counternarcotics campaign in the north has diverted resources, forcing the military to restructure acquisitions, including postponing purchasing new interceptor aircraft until at least 2018 (the Korean KA-50 is rumored to be favored as the front-runner) and reducing the acquisition of Beechcraft T-6 Texan trainers from twenty-four to twelve planes.20

**Argentine land forces.** The army is modernizing its Tanque Argentino Mediano (main battle tank, or TAM), the core of its armored force, as well as upgrading its domestically developed artillery vehicles and aging U.S. M113 armored personnel carriers.21 Yet, while it aspires to shift from tracked vehicles to more wheeled vehicles that are better suited for current missions, budget limitations have forced the postponement of the acquisition of 6x6 or 8x8 armored vehicles such as the Chinese VN-1, the Brazilian Guarani, or the (rumored favorite) U.S. Stryker vehicle.

Argentina’s surface and submarine fleets remain small, with expired munitions, as well as delayed upgrades and service-life extensions for its core surface combatants, its four Meko 360 destroyers and six Meko 140 frigates. The purchase of ocean patrol vessels from China or France has also been postponed, while Argentina’s three submarines spent so little time underwater in 2014, that the country is assessed to no longer have a submarine capability.23 Even the rental of Russian tugboats as part of the nation’s campaign to support its bases in the Antarctic had to be abandoned following problems with the bidding.

**U.S.–Argentine military relationship.** During the Fernández era, Argentine military attaches were not even permitted to talk to their U.S. counterparts without Ministry of Defense approval.24 The United States was expelled from offices that it once occupied in the Argentine defense ministry, and the assets of a U.S. military training team were seized at the airport. By contrast, since Macri’s inauguration, military cooperation has been one of the most fruitful areas in the rapidly expanding U.S.–Argentina relationship.

While new U.S. arms sales to Argentina’s military concentrated on the previously mentioned twelve T-6 Texans, it has significantly expanded military-to-military exchanges. Training opportunities now include billets for Argentine officers in the U.S. Joint Interagency Task Force South facility in Key West, Florida; instructor billets at the Western Hemisphere Institute for Security Cooperation; and student billets at the Naval War College and possibly at the Army War College. Perhaps most significantly, however, the selection of the Georgia National Guard to work with Argentina in the U.S. State Partnership Program has opened up an array of new cooperation opportunities, including in humanitarian assistance and disaster response, border security, aviation, environmental matters, and preparation for peacekeeping missions.

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**Argentina’s New Foreign Engagement Posture**

Macri has reoriented Argentina’s foreign policy within the region and with respect to the United States, and he has fostered less ideological, more diverse relationships with extrahemispheric actors. Macri has moved Argentina away from giving a privileged position to anti-U.S. actors in the Western Hemisphere and to U.S. geopolitical rivals beyond it, to a more pragmatic posture that seeks mutually beneficial commercial and political ties with countries such as China and Russia. He has substantially reconstructed Argentina’s close relationship with the United States, renewed engagement with traditional international institutions (including renewed access to international capital markets), and pursued relations with a broader group of extraregional actors of all ideological orientations, including Australia, South Korea, and Japan. By contrast to his predecessor, Macri has taken a far more critical stance toward Venezuela and other socialist-populist governments in the region. Macri’s unifying theme in all of these engagements has arguably been to expand the nation’s options, avoiding an excess of dependency on a single ally or an ideological block such as Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America, or ALBA) that could undermine Argentine sovereignty.

**China.** Macri began his administration by suspending a broad range of commercial and military projects with Russia and the People’s Republic of China (PRC). However, while most of the deals with...
Russia were abandoned, Macri ultimately proceeded forward with many of the projects with Chinese companies. This included continuation of a PRC-built and -operated deep space radar in the province of Neuquén (securing a commitment from the Chinese that the facility would not be used for military purposes), as well as construction of two nuclear reactors in the Atucha complex and modernization of the Belgrano Cargas railway system.26

Although the president’s father, Franco Macri, has been one of the key figures involved in business deals in Argentina with Chinese partners, the elder Macri’s ties have arguably not defined his son’s outlook, since he developed that part of his business at a stage in his career when his son was involved in other activities, such as running the Boca Juniors soccer team and serving as mayor of Buenos Aires. Yet, Mauricio Macri has experience with China in his own right. When the Chinese traveled to Buenos Aires in July 2014 to promote business between the PRC and the city, then Mayor Macri called China “a great opportunity.”27

Despite the previously mentioned successes and Macri’s experience and receptivity toward China, multiple important projects with PRC-based companies have foundered during his administration. These include construction of a gas pipeline in Cordoba, frozen by a dispute over the supply of the tubing by a Chinese vendor who beat out the local supplier, Techint, on price.28 It also includes two hydroelectric projects on the Santa Cruz River, halted on environmental grounds by the Argentine Supreme Court.29 In addition, none of the major weapons sales negotiated by Macri’s predecessor have gone forward, including plans to purchase Chinese FC-1 fighters (with some production in Argentina as an offset), armored vehicles such as the Norinco WMZ-551 and VN-1 personnel carriers, Z-9 helicopters, and offshore patrol vessels (the endurance of which was reportedly insufficient for the operational demands of the long Argentine coastline).30

Perhaps Macri’s biggest fight with the Chinese has been his refusal to formally recognize the PRC as a market economy within the framework of the World Trade Organization. Argentina’s production minister Francisco Cabrera stated publicly in December 2016 that the government would not make a definitive declaration, but would instead review Chinese activities on a case-by-case basis, suggesting concern that overtly rejecting China’s market status could endanger Chinese investments in the country.31

Beyond the PRC, Macri’s efforts to broaden Argentina’s engagement with Asia include the visit by Japanese Prime Minister Shinzo Abe to Argentina in November 2016, as well as his meetings with the leaders of South Korea, Australia, and India during the G-20 summit in Hangzhou, China.32

Russia. Macri’s presidency has contributed to the derailing of multiple military and commercial deals between Argentina and Russia, although he has tried to do so without sending an overtly hostile message. Argentine Defense Minister Julio Martinez and joint chiefs of staff head Bari del Valle Sosa traveled to Russia in the fall of 2016, meeting with defense officials and arms suppliers, yet almost none of the arms contracts discussed at the end of the Fernández administration have gone forward, including purchase of Su-24 Flanker fighters.33 Even the controversial renting of Russian ships for the nation’s Antarctica campaign was canceled in September 2016, and questions have emerged regarding the purchase of three Russian Mi-17 helicopters.34

Nor has Russian commercial engagement with Argentina prospered under Macri. In December 2016, plans for construction of the Chihuido hydroelectric facility by the Russian company InterRao were halted over a dispute over the rate of interest for financing the project. Even the Russian-language television channel Russia Today was taken off the air in June 2016, in what Russian Foreign Minister Sergei Lavrov called an “unfriendly act.” Russia Today later reached an agreement allowing it to continue on the air.35

Iran. The Macri government has effectively ended the informal rapprochement with Iran that President Fernández had pursued since her January 2013 meeting with Hugo Chávez and Fidel Castro in Havana, Cuba. Indeed, in December 2016, Macri’s justice ministry opened an investigation into his predecessor’s possible cover-up of Iran’s role in terrorist attacks against Jewish targets in Buenos Aires in 1992 and 1994.36 Yet, on the commercial front, the January 2016 termination of international sanctions against Iran creates the opportunity for Iran’s commerce with Argentina to significantly expand, including the possibility that it could increase direct purchases of Argentine grains and rice.
Nonstate actors. An estimated two hundred thousand practicing Muslims live in Argentina, and Buenos Aires is the site of the largest mosque in South America (the Saudi Arabia-sponsored King Fahd mosque, affiliated with the Wahhabi sect within Sunni Islam). Yet, the nation takes pride in the relatively peaceful cohabitation of its large Muslim, Jewish, and other communities.

While the Macri administration has not canceled his predecessor’s commitment to bring three thousand refugees into the country from Syria, potentially including radicalized Muslims, the onerous screening and placement requirements established by the government have permitted the entry of fewer than ten families, all of whom had applied under the previous government.

Latin America. Macri’s presidency has helped to shift the South American region from a center-left pragmatism to a less ideological, center-right one, in which Argentina plays a more active role. Macri has ideological differences with Uruguayan president Tabare Vázquez, including over Venezuela’s membership in Mercado Común del Sur (Southern Common Market, more commonly known as MERCOSUR).

However, Vázquez is a pragmatist, and is reportedly much happier dealing with Macri than with Macri’s predecessors such as Néstor Kirchner, who opened a serious dispute with Uruguay in 2005 over the construction of the Botnia paper mill on the border between the two states.

Chilean President Michelle Bachelet has embraced an expanded role for Argentina as an observer of the Pacific Alliance, and a closer relationship between the latter and MERCOSUR—a position that will likely be supported by other Pacific Alliance members as the region looks for new trade integration frameworks to offset the expected U.S. withdrawal from the Trans-Pacific Partnership under President Donald Trump.

With respect to regional institutions, Macri has de-emphasized the two multilateral groups exclusive of
the United States of which Argentina was part—Unión de Naciones Suramericanas (Union of South American Nations, or UNASUR) and Comunidad de Estados Latinoamericanos y Caribeños (Community of Latin American and Caribbean States, or CELAC)—relating affairs regarding both to the vice presidency. Correspondingly, Macri has increased Argentine support for using the Organization of American States (OAS) to address regional security affairs. However, given the OAS need for consensus among its members to make key decisions, the continuing anti-U.S. orientation of member states such as Ecuador, Bolivia, and Nicaragua will impede meaningful expansion of the role of the OAS in regional security affairs in the near term.

**Near-Term Challenges**

While the direction that Mauricio Macri is taking Argentina is promising for the United States and the region, the country stands at a dangerous crossroad. During 2016, the president’s utility-sector reforms produced politically painful 300 to 400 percent increases in utility prices, significantly affecting the pocketbook of Argentines and small businesses; further increases are expected in 2017.39 Despite Macri administration policy and rhetoric that suggested a more business-friendly environment, investors did not return to the country at the rate expected. They were spooked by opposition-supported legislation in December 2016 that threatened to reimpose the mining export tax and the prospect that the Peronist Party could return to the presidency in 2019, either in the form of (sometimes) Macri political ally Sergio Massa or Cristina Fernández de Kirchner, if she is not sentenced to jail.40 Amidst significant protests over utility rate hikes and other policies of the Macri administration, the economy contracted by 1.8 percent in 2016. At the end of December, Finance Minister Alfonso Prat-Gay resigned over differences with Macri in his approach, and the government announced the intention to split the ministry.41 The combination of painful adjustments and a lack of strong evidence that Macri’s policies were producing results increases the risk that Argentina’s October 2017 legislative elections could go badly for Macri’s Cambiemos coalition, undercutting his ability to further pursue his agenda.

Macri is operating in the shadow of the fact that his is only the third non-Peronist government since Argentina’s return to democracy in 1983, and the other two ended prematurely. The first, Raul Alfonsin of the Radical Civic Union party, was president during Argentina’s transition to democracy from 1983 to 1989; Alfonsin resigned under pressure six months prematurely as part of that transition. The second, Fernando de la Rua, also of the Radical Civic Union, was president from 1999 to 2001; he resigned amidst Argentina’s severe 2001 economic crisis.

**Recommendations for the United States**

Although the Macri administration in Argentina does not seek to unconditionally ally itself with the United States, its support of a free market economy, strong democratic institutions, and transparent, nonideological international engagement are aligned with the interests of the United States and advance prosperity and democracy in the region. The United States has a stake in helping Macri and his government to succeed. From an economic perspective, the incoming U.S. administration of Donald Trump should begin by openly recognizing the positive direction Argentina has taken and the progress it has made. The United States—through its public and private statements, technical assessments of the U.S. Treasury Department, the resources of the U.S. Export-Import Bank, and U.S. leverage with the Interamerican Development Bank and World Bank—should facilitate Argentina in obtaining the international credit that it needs to make it through such difficult times. Through such actions, the Trump administration should encourage expanded U.S. investment in the country, while the U.S. Congress should consider special legislation incentivizing such investment. Over the long run, the United States should consider granting Argentina special unilateral trade preferences. Pursuant to Argentina’s economic stabilization, the United States should support Argentina’s candidacy to the Organization for Economic Cooperation and Development in a more forceful fashion than the gesture made by the outgoing Obama administration.42 To support Argentina’s fight against narcotics, the new U.S. administration should fully back expanded cooperation between the U.S. Department of Treasury’s Financial Crimes Enforcement Network and Argentina’s Financial Intelligence Unit. It should
also continue U.S. Drug Enforcement Agency support for the interagency task forces being established in the north of Argentina, and it should provide assistance to Argentina’s whole-of-government fight against narcotrafficking and insecurity.

With respect to defense cooperation, the United States should continue to expand engagement, and it should ensure a continued successful linkage between Argentina and the Georgia National Guard through the State Partnership Program. It should also seriously consider offering Argentina access to Foreign Military Financing, reserved for close U.S. friends and allies. Access to this program could be useful for Argentina in the acquisition of defense articles such as the Stryker combat vehicle. It would also demonstrate U.S. support to Argentina and the benefits of working with the United States. The United States should also consider financed billets for Argentine officers at the Army War College and Air University in addition to Argentina’s current billet at the Naval War College.

For the United States, the dramatic change in tone in the U.S.–Argentina relationship and the rapid expansion of cooperation with the nation in 2016 was one of the best “good news” foreign engagement stories of the year. Yet, the Macri administration remains worrisomely fragile as it enters 2017. Through modest support for the Argentine government such as the recommendations discussed in the preceding paragraphs, the United States can help Macri succeed and, in the process, advance its own interests, those of Argentina, and those of the region.

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Notes


5. Off-the-record interview with an Argentine counternarcotics official, December 2016. This is contrary to the prevailing assumption that synthetic drugs are manufactured in Argentina and shipped to Europe.


9. The military has also used its assets to transport personnel in support of the broader drug mission.

13. Ibid.
37. Off-the-record interview with Argentine political analyst specializing in Islamic groups, December 2016.