

**HUDSON INSTITUTE  
CENTER FOR LATIN AMERICAN STUDIES**

**ARGENTINA: ELECTIONS AND POLICY DEBATE**

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**FEATURED SPEAKER:  
HIS EXCELLENCY JOSÉ OCTAVIO BORDÓN**

**COMMENTS:  
HUGO ALCONADA,  
BUREAU CHIEF, LA NACIÓN**

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JAIME DARENBLUM: Good morning, ladies and gentlemen, excellencies, dear friends. I'm Jaime Daremblum, director of Hudson's Center for Latin American Studies, and it's my pleasure to welcome you this morning to a discussion on the upcoming elections in Argentina with Ambassador José Octavio Bordón.

On the eve of the general elections to be held on October 28<sup>th</sup>, there are multiple questions concerning what the elections hold in store for Argentina, and to some extent its neighbors. The international interests in the outcome arise, of course, from the importance of Argentina in the region. There is no one more qualified to enlighten us on this particular juncture than Argentina's key representative to the United States, my good friend Ambassador Bordón.

Ambassador Bordón has had a very interesting, rich, and fruitful career serving his country in different capacities. In addition to having been a top legislator, governor, and presidential candidate, he has also excelled as an educator, and since 2003 as a superb Ambassador of Argentina to the United States. We're honored to have him speak at Hudson.

We're also very pleased and privileged to have with us this morning Mr. Hugo Alconada, a leading Argentinean journalist, and a bureau chief of La Nación in Washington. I'm sure Mr. Alconada's comments will stimulate our general discussion.

And without any further delay, I give you Ambassador Bordón.

JOSE OCTAVIO BORDÓN: Thank you so much. First of all, thank all of you for being here this morning. My special recognition and regard to the Hudson Institute and my dear friend Mr. Daremblum, my dear friend Jaime. And also it is a privilege for me to share the stage with a representative of a new and very important generation of journalists in Argentina.

First of all, I want to say that, for me, it's a real challenge this morning because, as Jaime said, in my background I am a politician, academic, and ambassador. If I speak as ambassador, I need to be very careful, and it would be very boring. If I speak as an academic and politician, it is possible that I will lose my job. For these reasons I will try to combine my backgrounds, I ensure that will be boring, and maybe I will lose my job. But after five years with no drama... (Laughter.)

Okay, what is the scenario today? Very briefly, the electoral polls are showing that the official candidate, Senator Cristina Fernández de Kirchner, first lady, is winning in the first round election. The battle for the second position is between the former minister of economy of President Kirchner, Roberto Lavagna, and former congresswoman Elisa Carrió. But obviously, as the official candidates say about Cristina Kirchner, or Cristina Fernández, the final word is in the hands of the ballot box, not in the hands of the previous polls.

I will try to answer one question: What is behind this scenario? I will try, in no more than six or seven minutes, to tell a short story of about 200 hundred years, the story of Argentina, and then try to arrive again at the electorate situation with the premise, and obviously this is very important for us, that we are leaving a long period of democracy since 1983, with alternative parties in the executive branch. In 1983 it was the Unión Cívica Radical with President Alfonsín; in 1989, President Menem for the Justicialist Party. He won again, he defeated me in 1995. In 1999, the Coalition of Unión Cívica Radical, FrePaSo, a center-left coalition, won the election with President De la Rúa. And in 2003, the Justicialist Party won with President Kirchner. For this reason, today we have an alternative political system.

This is Argentina. We have to the west our brothers and the sister country of Chile, to the east, Uruguay on the Atlantic Ocean, Brazil to the northeast, Paraguay and Bolivia to the north, and the Antarctic area to the south. Briefly, that is Argentina, with 24 states, well 23 states and Buenos Aires city since the change of the constitution in 1994. They have the same, well practically the same rights as the rest of the provinces.

Argentina today is close to 40 million inhabitants, and 88 percent of the people, they say, are Catholic. I don't know if they are going to Mass, but they will say so. Protestant – we have a very important Jewish community. Buenos Aires is the fourth or fifth largest Jewish city in the world. But at the same time, we have a similar population from Lebanon. Inside our country they are all living in peace and friendly.

Life expectancy is 76 years. We come in 34th – in spite of the economic and social crisis that we suffered in the recessions of 1998 and 2002, we continue to hold on to the 34<sup>th</sup> position in human development, and the 1<sup>st</sup> position in Latin America. Today, the economy after the crisis is more than \$200 billion in GDP; in PPP, in reality, 621 billion; and the PPP per capita is around \$16,000, holding the number one position in Latin America.

And some highlights, it's the 8<sup>th</sup> country in the world in area, with 40 million inhabitants. It is one of the world's leading exporters of horticultural commodity. Argentina has received three science Nobel Prizes. We have 91 universities in Argentina, 50 are private; 41 are state universities, with more than 1 million students, and another 1 million in the tertiary system. We have a mandatory, no-payment education system from kindergarten to high school, and enrollment in the first 12 years of education is practically 100 percent. Now we have a new law that makes this mandatory, our expectancy is that in three or four years we will have practically 100 percent enrollment in population ranging from 4 years old to 17 to 18 years old.

Finally, the population concentration in Argentina– we have 11 million inhabitants living in the city of Buenos Aires and in the province of Buenos Aires. We also have a large concentration in the other big capital cities, which has become one of our problems, a challenge in Argentina. It's a very urban country with an overstuffed concentration of people in some parts of the country.

We have two main political parties, historically. Our GOP, they are not necessarily like the Republicans. Unión Cívica Radical is center, and on some occasion is center-right, and on some occasions is center-left, a party that was born in 1890, they won the first very open election in 1916.

And the other traditional party that was born in 1945 is the Justicialista. Nowadays, the people know the Justicialista Party as the Peronist Party. The Peronist and Institutional Organization Party was my party from 1966. Yet, I abandoned that very small party during the military government to embrace the real opposition party to the military government, which was the Justicialista Party in those times. When we finish the conversation, I will explain the crisis that grew not from the institutional system in Argentina, but from the political proceedings in Argentina, especially the crisis of the Unión Cívica Radical.

The electoral system in Argentina is representative, democratic, and of a federal republic, with a universal and individual secret and compulsory vote, which was established in 1912. We have a very similar system as outlined by the United States Constitution, since it inspired our constitution. The prescient advise – a president. They have the right to election, two rounds, and the whole – but the two rounds is a new institutional right from 1994, when we changed our constitution. In the past they served only one period, and afterwards reelection became possible.

Now, we have a four-plus-four system, like in the United States, but the difference is that after four years, when you can be re-elected again, the whole country acts as one district. This year the election will fall on October 28<sup>th</sup>. Still, we must consider the delay if we have to have a second round of voting, depending on the first rounds percentages. We'd be very close to the new government because the administration of Kirchner finishes on the 10<sup>th</sup> of December.

It's not exactly the French second round; for example, the first-round winner is the one who obtains more than 45 percent of the affirmative vote, or no less than 40 percent of the affirmative vote, but they need in this case to have more than a 10 percent difference in relation to the second ticket.

In our electoral system, we have senators and congressmen. With our senators today, we have 72 because of the change of the constitution in 1994, which, in my opinion, was a big mistake. In the past we had, like the United States, two senators; now, we have two-plus-one to represent the minority. I think it's a big mistake. It was part of the coalition between Menem and Alfonsín, Radicals and Peronists, to include this in their elections. In reference to Menem, they wanted to include this condition for the losers. I think it's a mistake because in our system, the representation of the people is the congress, and the representation of the states is the senate, and to include minority in this kind of representation, is a lack of representation in the real sense of the senate. It was more of a political agreement, than institutional interest for the country.

Since we have 72, to have majority in the system you need to have 37. The Frente para la Victoria, the Front for Victory, that is the coalition between the Jucticialista Party and some small group of sympathizers of President Kirchner; they have 40 senators, they have majority plus two allies. And then Unión Cívica Radical, they have in the majority of the cases, the minority in each state, they have 15.

We have 257 representatives, so the majority is 130. In this moment, the Frente Para la Victoria, the Front for Victory, has 111. Yet, they don't have the sure majority – we don't have it and they don't have it; 36 for Unión Cívica Radical, and 14 for the party of Lilita Carrió, the presidential candidate. She is a former radical from the center-left of the radical party from the group of President Alfonsín. Eleven are pro, in the center-right, a more conservative new party of which the leader is the new mayor of Buenos Aires, Mauricio Macri. He's not exactly in the party, but is placed in the same group and with the same ideas as the other presidential candidate, Lopes Murphy, the former center-right member of Unión Cívica Radical.

The political parties blew up in the crisis of 2001 in Argentina. But the reality was that the government had the capability to obtain majority with different coalitions. And we replace, like the United States, one-third each two years of the Senate. The mandate of a congressman is four years, and we replace 50 percent every two years. For this reason the expectation is that the next administration is the Cristina Fernández wing, we have the majority in the senate, a very clear majority in the senate, and the capability to build majorities in the congress in the next four years.

I go to the past: 1776, the Spanish king established the Virreinato del Río de la Plata, by royal deal of the Rio de la Plata, as an answer to the pressure of the British, especially from the Atlantic Ocean, and the pressure of the Portuguese from the north, from Brazil, who occupied all the territory that today is Argentina, the territory that is Uruguay, and the territory that today is Paraguay and is a part of the territory that today is Brazil, and a very important part, the Alto Peru, that territory today is Bolivia and a part of Peru and Chile. And they established a capital city in Buenos Aires.

It is very important to remember the British invasions in 1806, the first was 1.5 thousand men in the middle of the Napoleonic Wars. We defeated them once, and again, one year after the second invasion. They were more than 10,000 British troops in this occasion. The Spanish troops offered no defense, but local civilians and militia defeated the British. This was very important because the new local consigs were born also with the stallions of local military power that would produce, in 1810, the May Revolution that united the continent for civil liberation wars with Spain.

The discussion during 1810-1816, was that we didn't know exactly what was happening with the king of Spain in that moment. They had a lot of ideas, the different groups involved in the revolution, and some had more influence from the American Revolution, from the French Revolution, from the process in the United Kingdom; some were planning to have a liberal revolution.

Finally, especially because of the requests of the liberators, like San Martín, to go with Chileans to Chile to battle the Spanish in Chile and Peru, our country declared, finally, the independence of Argentina on the 9<sup>th</sup> of July, 1816. Very interesting issue, that our first representation, or ambassador, we can say today, arrived in Washington in 1811. And the United States was the first country that recognized Argentina in Latin America as an independent country, in 1811. We declared independence in 1816. Argentina is always a paradox, no?

For close to 50 years, we have not necessarily had civil war, but a permanent battle between unitarism and federalism. At the same time, in the middle was not exactly federalism but liberalismo, usually a Hispanic or nationalist. It is a mix of different ideas, but the discussion was between the illuminist liberalism versus Hispanic nationalism. The other was the idea of how to develop mercantilist ideas in relation with them all, the paramount discussion between production and commerce that continues today with the current political parties in Argentina.

Finally, in 1853, we had the new constitution that was inspired by the American Constitution. We continued for more than 20 years with a discussion about federalization because we didn't have in that time the federal district of Buenos Aires city. There were the owners of the port, and the owners of customs. Finally we hit a balance with the declaration of the federal city, and gave control of customs and the port to the federal administration. Today, the port is in the hands of the private sector after the liberalization process of the 1990s.

From 1860 to 1916, we had prosperity with incomplete democracy. Domingo Faustino Sarmiento, was the second greatest president in Argentina (he was ambassador here and he went from the United States to Argentina to be president), different than my case. He was the creator of the education system, and I then was minister of education. I came here because I lost the election, he went to win the election. It's a very different story.

Well, we then had the national constitution, but they decided to create the nationalist state. They decided to integrate the territory. They had, very clearly, these ideas about modernization. They had known perfectly what happened in the United States; Sarmiento was inspired to change the Argentine system of education according to the Massachusetts school that he imported, and after being president the teacher from Massachusetts was the minister of education. Immigration was one of the keys not only to occupy the country, but also to modernize the country because they believed their parent community to be very important in transforming the barbarian in civilization, and not necessarily, I believe 100 percent.

I am sure that ideas of an incredible economic growth, and of education were very important; not only in terms to increase the general culture of the people, and to increase the behaviors of them, but at the same time to make them citizens, because to have a nationalist state, and to have democracy, they needed to be citizens. For this reason the education process was very important, and it's a very similar process that Costa Rica has

had with education in the last part of the 19<sup>th</sup> century, or Uruguay and in some part Chile. Now, the early education modernization process in Latin America is Chile, Argentina, Uruguay, and Costa Rica. With a very similar process, I think, no?

But the economic growth was very, very important. Imagine, in 1860 we were 1.5 million inhabitants; in 1914, 8 million. In 1914, 30 percent of our people were born overseas, and in Buenos Aires city, more than 50 percent. In 1860, we were an empty and marginal country; in 1914, we were the sixth largest country per capita, 80 percent of the per capita of the United States. And it's very interesting – Santa Fe, the second or the third largest province in Argentina, had in 1868 an average production acreage of around 20,000. After 10 years, in 1874, it was 200,000 acres. In only 10 years the area increased from 20,000 to 200,000.

We are coming very quickly, no?, five minutes, two centuries. It's true that during the incredible economic development of the country in the previous period, from 1853 to 1916, we had some limitation in the political system. In 1912 we had depression and immobilization, especially for the Unión Cívica Radical. So, they decided to open the political system, and to create the new system of the universal and civic vote.

Universal, in that time, did not include women. In the previous election, of 1910, the participation was just 10 percent of the population. In an election 14 years later it was 40 percent, and reasons for the change were clear: 14 years of popular democracy, and finally the triumph of the ideas of the generations of 1838 and 1880, the liberals' ideas, the liberal revolution.

But the great participation of the people, this is why we can say that we have a popular democracy. The battles in that time were among radicals, radicals not as we call them in English. It was those from a center or center-left and very Democratic Party, and was like liberals versus conservatives in the ideas of the United States. We had the world crisis and the military coup in 1930; from 1930 to 1943 we had a strong military power, conservatism flout, and electoral flout. The role of the state and economic concentration was very interesting because of the crisis brewing in the economic system. The powerful and the concentrated economic group, they used the state to guarantee what became errors, to guarantee that they would have the profit, and for this reason their declaration of the status in Argentina was not a declaration for the popular sector, it was declaration for the concentrated economic sectors in the '30s.

While we had World War II– remember, the influence that the British had during the 19<sup>th</sup> century from Monroe – we held on to the idea of a pure America for the Americans, and the idea of the British was war for America. Argentina was isolated from Latin America and isolated in that moment from a relationship with United States, and was very close to the British – they had a history and influence in the economic development of Argentina. Internal immigration was the new phenomenon, and industrialization. That prepared us for the other big party in Argentina.

On October 17, 1945, the people rescued President Peron. He said, a small group of people, they will lose the power. I want to have an election. And finally he organized, in some months the new party, the Justicialista Party, with the idea of social justice and industrialism. And he won in a very clear and very transparent election.

The anti-Peronists claimed that the Peronists were like the fascists in Argentina. And at the same time they organized a coalition against Perón. And the coalition was the American ambassador, the Communist Party, the group of the radical party, the Unión Cívica Radical, the conservative party and the democratic – Unión Demócrata. The Democratic Coalition was in a very divisive situation for many years in Argentina. In 1949, the Peronists included the feminine vote. Eva Peron was a very important socialist in Argentina, and in the first decades of the 20<sup>th</sup> century she was battling for women's rights. And Eva Perón finally was the leader of this process, for this reason we can say that in 1952 finally, we completed the democratic representation of the Argentines with the vote of the women. And Perón won again with more than 62 percent of the vote.

The state role had maintained the same characteristics of the 30's but began to change. The administration was using the rich capability of the agricultural sector of Argentina with the control of the export process – not the control of the land, with the control of the export process – to have the budget to obtain industrialization and social justice in Argentina. Obviously, we were in trouble after 10 years as we were losing the capability of the agricultural sector because of a lack of incentives. This was one of the challenges to Argentina in that moment.

In 1955-1966, we had military coups, but in '55- '58, the prestige of the Peronists remained. The Unión Cívica Radical division – one of them, the Unión Cívica Radical Intransigente was received in the election in 1958 with the prescription of the Peronist party and Perón (who was out of the country), and won. The Unión Cívica Radical Intransigente went on to defeat the Unión Cívica Radical del Pueblo that was the more traditional, more conservative party, with the support of the militares.

Frondizi was a very modern president, but another coup ended his presidency in 1962. The party was inside the militares, and they were like the United States and other militares—Azul-Colorado was the name that they received. They were a different faction of the military government. And the Unión Cívica Radical del Pueblo, the most center-right part of the more conservative part of the Unión Cívica Radical, won the new election in 1963, again with the proscription of the Peronists, with only 25 percent of the vote, since the Peronists decided to vote abstention in that election.

Another military coup, the Argentine Revolution, defeated President Illia (who was a very honest president in spite of the lack of representation in 1963) who was not able to establish democracy. In that moment they assumed the port and they banned all the political parties –not only the Peronist party; they banned all the political parties.

And we have, again, new elections in 1973. This was the '60s and the '70s, because of the military government, because of the lack of representation, because of the

proscription, and because of the international climate that existed. Remember the Cuban Revolution in 1959? We had some of the guerrilla moment. Some of them were in power, not in the political party Justicialista but involved in some Justicialist idea and some Christian ideas (remember the Justicialista party is like a social Christian party in terms of the philosophy). In terms of the organization, it's more similar to the social democrat parties in Europe.

The Justicialista party had the first opportunity after 1955 to go to election, with the proscription of Perón – and won the election with President Campora. After the election he resigned, and Perón won with more than 60 percent (in the second election he defeated Balbín). He came with European ideas to build a pluralist system in Argentina, and for that reason, the unity of the Argentine became a very important legacy, and the function of the democratic system as well.

Unfortunately, after Perón died, it was impossible to maintain democracy. We had the new administration, the junta militar, they were three members, and knew not to ban the Peronist party, not to ban the political party; because it was to ban all the Argentines. Remember, they were very close to having a crisis and a war with Chile. And fortunately, the intervention of the Pope impeded it, and we are living in incredible peace today with Chile. Secondly, we were suffering the incredible drama of the desaparecidos, and the reaction of the civil society, especially the Madres de Plaza de Mayo and the Abuelas de Plaza de Mayo, when 30,000 people disappeared with the terrorist state. Then in '82 was the war for the Malvinas.

On the Diario Popular, the front page was very interesting because there was documented police repression in reaction to the anger of the people against the military. This was the first information that demonstrated that it would be possible to have a war, it was a crazy idea, my president said the other day in United Nations. And so they fought for our rights in the Malvinas. They were using it to try to stop the reaction, the popular reaction, of the people to the dirty war. And so the military government produced an economic failure that destroyed the middle-class society that we had been building from 1853 to 1977. That was a large failure, and finally now we are leading a longer period of democracy.

The return of democracy was in the spirit of national unity. In some sense, we didn't have Perón or Balbín, but the spirit of that moment in 1973 was present in 1983, after the drama of the military government from '76-'83. First, the Unión Cívica Radical defeated the Peronists in free elections after 1945, with the very interesting leadership of Alfonsín. He was very intelligent to create the idea of renovation in the political parties, but at the same time to put together social justice and democracy, not democracy against social justice, not social justice against democracy; democracy and social justice. The other countries knew that Perón was a very democratic leader. I remember his advertisement was power to the three powers; it was a republican idea and the first occasion since 1945 that a very important part of the workers decided not to vote for our party but to vote for the Unión Cívica Radical.

Unfortunately, because of the economic crisis, President Alfonsín lost power after six years, but at least inside a democratic system. It was my job as congressman at that moment, and as a governor in that moment, to renovate the Justicialista Party. We took on two decisions. The first was to support the administration of President Alfonsín, especially to establish democracy, to bring to trial again the military junta, and at the same time to recover the country. Still, we decided not to be part of the new officialism, and to prepare the future opposition to have a good pluralism system.

During the war we went six years without elections. In 1989, Menem won with the center-left populism campaign. Remember that the Washington Consensus was born in that moment – and he faced hyperinflation as president, and resultantly he embraced the neo-liberalism that obviously was not a traditionally social Christian idea of the Justicialista Party. He had very important success in the first years because of the recovery of the economy, but at the same time we had growing unemployment, growing polarization, and social polarization of the country.

And at the same time, the change – the agreement with President Alfonsín to change the constitution that permitted President Menem to have a reelection, four years more, and at the same time some advantages to the opposition - created a new environment. At the same time, the official party, Justicialista, decided not to offer us the primary. That was one of the changes in the renovation of the party. For this reason I decided, with other members of the Justicialista Party on the center-left, to create a coalition, FrePaSo, or Frente País Solidario.

I won the primary with small margin to my opponent that was part of the center-left. I was the Justicialista part of the coalition, he was my vice-president candidate, and it was the first occasion since 1945 or 1916 that the third party arrived in the second position. And at the same time, it was the first occasion since 1916 that the Unión Cívica Radical was not the first or the second party. I don't speak so much about it because I was the actor. In 1999, I was not in that coalition. Finally, the FrePaSo decided to organize a coalition with the radical party, and won the primary with De la Rúa. That was the more traditional, conservative part of the radical party. He competed again with Alfonsin in 1983.

But because of the recession beginning in 1998, we lost 25 percent of our GDP in four years; in some moment it was more than the GDP, that half the population was below the poverty line, unemployment was over 20 percent, and then the vice president resigned. The idea of the president that *que se vayan todos*, all politicians must go, was driven home by the mobilization of the people on the street and the freezing of the bank accounts.

And we had a series of different presidents, and you could see from CNN and other media, that was real chaos. I remember that the former secretary of Treasury of this country, O'Neill, said Argentina is a country without future – not the administration – the country doesn't have future. December 20th was the resignation of President De la Rúa, finally, because of the mobilization. But it's true that we had five presidents in two

weeks and 10 days. But it's very important to say also, that we maintained the constitutional procedures during that dramatic time with the people on the streets when the workers, the middle class, and some members of the high class of Argentina had to face the freezing of bank accounts.

This was all because of the resigning of President De la Rúa. And because previously the vice president Alvarez that was my vice presidential candidate in 1995 had resigned before. The constitution says that there must be a president of the senate. And for this reason, we put in Ramón Puerta, the senator from Misiones as the president. The constitution says that in 48 hours, he needs to convoke the assembly, the senate plus the congress, to decide who is the president. But they need the vote only for a governor or a member of the congress because they received popular vote in the past.

They voted, but the governor of San Luis, Rodríguez Saá, he resigned after seven days. And so the third person in the succession was Mr. Camaño, the president of the house. And then, finally, on December 30th or 31<sup>st</sup>, they decided on the former governor of Buenos Aires province and current senator Duhalde to occupy the position until the period of De la Rúa would end in December 2003.

Well, in the middle of the period, Duhalde made two excellent decisions. First of all, it was to convoke in May 2002 as minister of the economy the ambassador of Argentina to the European community, Roberto Lavagna. If I had been elected president in 1995, he would have been my minister of economy. He changed the model of macroeconomic policy. But at the same time, the decision, the other very wise decision of President Duhalde, was to convoke the election before December 2003. He changed it to May 25<sup>th</sup>. For this reason, the people were not watching him as a candidate, but were watching him as a caretaker that had decided to save the country. And both decisions turned out to be very important.

Finally, in the middle of the crisis President Kirchner triumphed. But at the same time, he triumphed in the middle of the economic and social recovery, because the economic recovery in Argentina began in the middle of 2002. And he decided, the third wise decision, now in the hands of Kirchner, to say in public that Mr. Lavagna would be the minister of the economy for him, not only thinking of future of the administration, but thinking of the transition. Anyway, both had similar ideas about economic policies.

Because of the crisis the Peronist party didn't have time to have a primary. For this reason, the congress offered the possibility of organizing three candidates to have similar support as the Justicialista party. But our constitution doesn't permit having more than one candidate from each party. For this reason, they needed to organize a small party or use another small party to represent candidates.

For this reason, the Peronists had three different candidates in 2003 with three different names of parties. One of them was the Frente Para la Victoria of Kirchner. The other was the Menem candidacy, and the other was Rodríguez Saá, the caretaker for seven days. The radical party also presented three candidates, but not with the support of

the party because Lilita Carrió decided to leave the Unión Cívica Radical. Lopez Murphy, former minister of economy for De la Rúa, decided to leave the radical party and to present the candidacy to the center right.

Menem won the election in the first round with 24 percent of the votes, and second was Nestor Kirchner with 22 percent of the votes. In the third position was Lopez Murphy, former radical, center right, with 18 percent of the votes. In the fourth position was Rodriguez Saá, Peronist and former caretaker, former governor of San Luis, with 14.1. And the fifth was Elisa Carrió with 14. Imagine the situation of the country! But, Menem decided not to go to the second round so Kirchner arrived as president in May 2003 with only 22 percent of the vote.

The GDP in 2002 was \$98 billion; today, it's close to \$250 billion. The GDP was growing 9 percent per year for the last few years. The per capita GDP went from \$2,600 in 2002 to \$6,200 today. Inflation was 41 in 2002, was 32, 12, 10, and 10 in the last two years. The exports were \$26 billion in 2002, and today are more than \$50 billion. Imports were \$9 billion in 2002. This year they will be more than \$41 billion. The trade balance is \$11 billion.

The international reserve went from \$10 billion to \$45 billion in the wake of having paid the total debt to the IMF and before to other organizations for more than \$25 billion. Now we have trade and fiscal surplus.

Unemployment went from 22 percent to 7.7 percent from 2002 to 2007. And the number of people living under the poverty line diminished from close to 50, 57 percent – imagine, Argentina is a middle-class country. There was a change from fifty-five percent of the people living under the poverty line to today around 27 percent. And the extreme poverty was 23 and today it's 7 to 8 percent. For that reason, I finish by saying, that if the administration loses the election, we are going to be in the Guinness book. But at the same time, it's very important to wait. What were the four pillars of the success of President Kirchner, in my opinion, not as ambassador?

First, he provided strong presidential leadership after the lack of control in the previous years. Second, he sponsored economic recovery, not only economic growth, and also he also tackled poverty reduction. Third, he helped to bring the recovery of Argentine self-confidence. I know the jokes about us, but we lost, in that moment, our self-confidence. And fourth, we needed a trustable supreme court of justices. I am not saying that we have a perfect judiciary system. But, we needed the recovery of the prestige of the Supreme Court, a combination of old members and new members, as some were impeached.

Last week, we had for the first occasion in our history, an official invitation from the Supreme Court of the United States to the supreme court of Argentina. Our Supreme Court was here. Yesterday, one of the members, the first woman in our history to be a member of the Supreme Court, as we have it today, Carmen Argibay, who is an advocate of human rights at the international level, received a very important award at Georgetown

University. It's very important to reestablish the confidence in justice, and the judiciary system is very important to recover the confidence in the Supreme Court. The officials, the opposition, the journalists, all of them recognize the incredible prestige that we finally have in our Supreme Court.

What is happening today? Who are the candidates that we have? Well, to begin, we have many state elections. It's very interesting the relationship between the central election and the independence of the state and local elections. Many states decided to have the state election before the general election. Obviously, the senate doors and the federal senators and the representatives, not the federal representatives, they will be elected at the same time as the president (but that's not the case of the local senator or the local congressmen and governors).

In Catamarca the officialists (the officialist is the coalition between the leadership of President Kirchner, the prestige of the administration, and the traditional Justicialista Party) won around 70 percent of the state in some cases with Justicialista candidates. But the opposition won in some states and this is the case of San Luis with the Justicialista opposition, and it's the case of Santa Fe, the second or the third state of Argentina where socialism won. It's the socialists like Felipe Gonzalez or the Chilean socialism, no? It's a Social Democrat party and the ARI, the party of Lilita Carrió, who won Tierra del Fuego with Rios, the first woman governor in Argentina. Thank you. I'll finish now. (Laughter.)

These are the candidates. I'll return to the original conversation. The Frente Para la Victoria, as I told you, is the coalition between the government, the Duhalde party and the radicals. The candidate, Cristina Fernández, she is not just the spouse of the president. They were working together since the university fighting against military governments. She was a very important senator before Kirchner was president. I remember one of the jokes during 2002, during the campaigns, some people said because of the posters, oh, I am thinking of voting for Kissinger. And we said, no, it's not Kissinger. Well, they said, oh, it's the husband of Senator Kirchner; she's very smart; I will vote for him. You see, she was a very smart senator before Kirchner was president.

Kirchner had the possibility to run again, but he decided not to run. The second candidate, Julio Cobos, the governor of my state, is a radical member of the Unión Cívica Radical. The second party of the Coalición Cívica, Elisa Carrió, she's a former center-left radical, and Rubén Giustiniani is the president of the socialist party. In this moment, they are a national party, but they have power only in the state of Santa Fe since they won the election there.

The third candidate from Una Nación Avanzada, the development nation, is Roberto Lavagna. He is a Peronist. It's funny because he's a member of the official Unión Cívica Radical. Lavagna is supported by all the official party of La Unión Cívica Radical, the caucus, the senate, and the congress. But they don't have the governors and the mayors of the Unión Cívica Radical. Roberto has a small group of the justicialistas,

especially in Buenos Aires province. And finally, his support is the prestige that comes from the previous minister of the economy Duhalde and from Kirchner.

And the fourth is Recrear para el Crecimiento and the center right, Ricardo López Murphy of Frente Justio Libertad, who is the current ambassador and governor of San Luis. He is a very traditional Perionist, although they don't have the official party. He won the small province with more than 80 percent of the vote and he has the support of former President Menem. Menem now is a senator for the minority and he tried to be governor of the small state of La Rioja one month ago, although he got third place. He doesn't have much influence in Argentina today.

And the other is a very small party. What say the polls? I don't like to speak about the polls, but I will use a sample because here we have La Nación. La Nación is very traditional. It was created in the 19<sup>th</sup> century. It's very independent. In some occasion, I think it's more of the opposition. It's the only poll that was published in a number of newspapers in Argentina. I think there's a lack of institutional quality in the newspapers in Argentina, so they are not publishing polls. And the polls say, I don't know if it's good or not, that Kirchner has in this moment 39.8 percent, Carrió and Giustiani 11.7, Lavagna and Morales, 7.9; Rodriguez, 5; López Murphy, 2; Solanas 1.7, and 30 percent of the people undecided or not voting. Traditionally in Argentina 75 to 80 percent of the people vote. For that reason, we can say, that if this poll is correct, it is showing that Cristina will win in the first round. But we need to wait and see what happens in the ballot box. Thank you so much.  
(Applause.)

HUGO ALCONADA: Good morning everyone. I'll try to be brief. I prefer to make the questions rather than to answer them. So I will pose 12 of them that I will just mention. And if you want, we can discuss them further later. We have 17 days left until the first round. The idea is that there won't be a second round. Cristina Kirchner is on the brink of winning if she hasn't already surpassed the 40 percentage points that she needs to.

The constitutional reform of '94 that Ambassador Bordón explained allows that the Peronist Party always is on the brink of winning. Since the return of democracy in 1983, it was I think the worst selection for the Peronist Party, they had around 35 to 38 percent of the votes. So they were just between 2 and 5 percentage points from winning even during their worse election performance of all. So they are very, very close to it. But something that should be said about this is that the more urban and educated the voter, the less they are inclined to vote for Cristina Kirchner. She is in a very strong position now because of her own abilities, but also because of the lack of opposition in Argentina.

What does Cristina Kirchner stand for? We do not know. We know, if you want, by osmosis of what President Kirchner stands for, but we are not so sure about what she will do. And this is a strategy that she has, to postpone any clarification and definitions about what she's going to do if she is elected. Also, for instance, what will the main

difference from President Kirchner be? We don't know yet. Her campaign is focused mainly on trying to expose her as being more open, more pluralistic, more open to dialogue, and more internationalist than President Kirchner, but we can say also that President Kirchner, you can like it or not, but he is used to making decisions. He was mayor; he was governor; now, he is the president. He is used to making decisions, while Senator Fernández de Kirchner is more of a parliamentary member. She is used to deliberating and giving public exposures, public comments, but we do not know how well she will react under pressure when she has to make decisions.

Actually, one of the warning signs that we had in the last few years was when the – I think it was the congress had to decide. I don't know if it was the superpower or the reform of the council of judges. Anyway, she made a speech of around three hours in which she was quite strong and surprisingly abrasive with the opposition. So it was like a warning sign for everybody. Also, what do you expect or what can we expect from the U.S.-Argentine relationship? Apparently, she is betting to have a Democrat counterpart in the White House and they are betting that probably it will be Hilary Clinton.

The question in mind is, what is going to happen during the first year of Cristina's presidency with President Bush? We'll have to wait and see. Would the bilateral relationship improve with a Democratic White House? The Argentines bet so, but we usually know that it depends on how you want to deal it. If you want to talk about economic issues, it will probably be easier with the Republicans. But we do not know yet. What about the IMF and the Paris Club? This is one of the big question marks. But this is one of the points in which Cristina Kirchner and President Kirchner have expressed they are interested in dealing with, finishing this question mark, and trying to set an agreement with the Paris Club, if it's possible without the IMF. They are expecting after that to get new investments coming in to our country.

Also will she really be more open to the world? She is trying to express that in her campaign. Also, it will depend on what she's going to do, for instance, with President Chavez. But now, she's being more, if you want, more open to the opposition in Venezuela. She deals perfectly well with President Chavez, but she also has expressed some differences with him. She gave a good speech in Caracas in which she defended and tried to embrace the Jewish community there that has had some problems with Chavez before. And it was interesting to see her in Caracas making a difference with President Chavez.

Will it be a stronger or weaker relationship with Venezuela under her tenure? It will also depend on, for instance, what will happen with Paris Club. If Argentina gets the money and gets into the international financial community again, we will diminish our dependency on the free money of President Chavez. Otherwise, we will use the check, I think. We will use the Chavez checks again.

What will happen with President Kirchner? What will he do? Suspicions are that he will try to focus on building an alliance or a coalition or even trying to rebuild the Peronist party by his tenure and try to promote the ideas of the Peronist party. We'll have

to wait and see. He doesn't say much about this. He says that he will go to Santa Cruz and he will keep his mouth shut. We'll see.

Will there be an opposition? This is a huge question mark. It will depend on how this first round ends. The radical party could explode or implode if it hasn't already. Probably what I recommend is to pay attention to the will-be Governor Scioli, if he wins, and to the new mayor of Buenos Aires, Mauricio Macri. And probably even the Peronist party, if they see and they sense that Cristina Kirchner cannot guarantee power in 2011, they will embrace Macri or even Governor Scioli if it's necessary.

Moreover, it's interesting to see, for instance, if Scioli wins as the governor of Buenos Aires by more votes than Cristina Kirchner wins the presidency. Then you will have probably a governor that is getting more votes in the province of Buenos Aires than Cristina. In this case, he will end up as an eventual candidate, even before becoming a governor.

That's what happened, remember in 1999, when Fernando de la Rúa won the presidency, the very same day, everybody started talking about De la Sota, Reutemann, and Ruckauf as the eventual candidates. And there were four years left before the next presidential election, but everybody was already talking about that. So something similar could happen with Scioli.

And what are the challenges ahead? Well, they are all very well known: inflation, Cristina Kirchner by now is defining the official index, but she cannot say much more. If she starts criticizing the official index, she would be criticizing her own husband's government. So she can't say much. Tariff investments –she's betting for new investments to diminish and decrease the inflation pressures in the internal economy, rather than trying to raise the interest rates or trying to get a more orthodox view to diminish the inflation in Argentina.

Energy – the current government is focusing on new investments that could be in place in 2008 and 2009, new energy production in Argentina to avoid a crisis and shortages in the next few years. Hold outs – another great big question mark and in this case, it will depend on the negotiations with the Paris Club and the IMF. This is an ongoing discussion now. Some people say that they want to go to the Paris Club without the IMF, the United States has already said that they could go to the Paris Club with a lesser influence by the IMF, but they have to go by the IMF, get an agreement, get something, not a formal agreement, not with a condition or preconditions of a formal program with the IMF, but in any case, they will have to deal with the holdout question before or after the Paris Club if they want to get into the international financial markets. Otherwise, this is going to be a big problem. Also, it's going to be going to Caracas to get some more money. And that's all. If you want to, we can talk more. Or if you have questions, we can discuss it more.

MR. DAREMBLUM: Thank you very much. (Applause.) We're going to begin our question answer. Yes?

Q: Thank you very much for the presentation of the history of Argentina in 35 minutes. I'm Nancy Soderberg. I'm co-chair of the American Task force for Argentina and wanted to just follow up on Hugo's last comments about the hold out. Your presentation made it very clear that Argentina is back on its feet. It has \$45 billion worth of reserves. It's got a 9 percent GDP rate. And I think Argentina is somewhat on the cusp of which way – you've mentioned it does have a future. But is the future going to be with Chavez, which in my opinion is taking the hemisphere in the wrong direction, or reenter the U.S.-Chile-Brazil side of the future and play by the rules and address the hold-out issues so that Argentina once again can play in the international markets? Until it clears this up, it's not going to be able to. Now, recognizing that you don't want to get yourself fired in answering this question, if you can give us a general sense of how you see the new government addressing this issue and the importance of it – thank you.

MR. BORDÓN: Ambassador Soderberg, first of all, I want to say that we had an unsustainable situation when the present administration arrived and partly during the present administration, for eight or nine months. We had \$100 billion of GDP and \$150 billion of debt, domestic and international debt. As my dear friend Nancy Benser and Peter Hacking wrote some years ago, that situation was a concurrent responsibility.

One of them was our Rome policies and our Rome management because of the convertibility, the currency board of the Convertibility Plan was a good reaction to the hyperinflation, but to maintain this system with different competitiveness and with more and more private and international debt was unsustainable and bad management with fiscal deficit and trade deficit.

Second, there was bad international parenting because I remember, I was working here, not in a governmental position; I was working here in education. And I remember that in 1999 the IMF meeting was like a model, the situation as it was. Some sectors of the state were privatized but it was unsustainable. And there was an institutional discussion in 1995.

It's impossible to understand why the political sociology for the Justicialista Party believed in 1995 that was unsustainable and then the IMF ends up sustaining it in 1999.

Third, there was poor responsibility in the financial sector in some cases. The United States changed the portfolio putting some bonds in the middle of the crisis at the nominal values of 100 percent, when in the market they were 15 or 20 percent of the original price.

Second, and finally, we needed to organize our restructuring debt because we never refused our responsibility, our part of the responsibility. We were not the administration of before, but we were the government of Argentina, and we are. But we have a different international paradigm.

In the Mexican crisis during the Clinton era, the United States gave close to \$50 billion dollars to overcome the crisis. Mr. O'Neill was a very clear example. Our

conversation, fortunately, was with John Snow and John Taylor. And the decision was not only not to put in money to overcome the international crisis but, at the same time, the request was – I remember my conversation with John Snow and John Taylor with the president of the Federal Reserve here in that time – that we needed to reduce our exposition to international organizations. For that reason, without international support, we needed to reduce our exposition and pay our debt, \$25 billion, and to assume the restructuring process.

For that reason, it was a remarkable restructuring process. We were working and we were visiting countries and we were talking on many occasions. And we were using American banks to organize our proposals. For us, acceptance was important, but the first idea, I'll finish, was sustainability of our proposal. Because for many years, the bad coalition and the bad parenting between international organizations and our countries, that includes my country, was unsustainable at the time. Our position in that moment, for the bureaucracy of the IMF, was perfect. For the bureaucracy and the politicians in my country, it was perfect. But for the people in my country and for the debtors, they were the reason we decided to restructure our debt, domestic and international debt to the bondholders.

Finally, we had more than 76 percent acceptance. We didn't break any kind of international law because we didn't have any kind of international law. The only thing that we had was the Chapter 11. But we had to ask, what is a sustainable proposal?

The other problem – I don't know what the ideas of the next administration will be, but I want to say that we have a bill of law. And secondly, in our compromise with the owners of the new bonds today, we will use 100 percent of the surplus if we have 50, 60, 70, 80, or 90 percent of acceptance. To organize a new proposal, we will need to have a new bill of law and we will need to have a new surplus or a new police force for the international community to support some restructuring process.

I think we were working in good faith. In the middle of the crisis, we suffered. But we are not a model. If you want to go and have the same restructuring process, you need to have five presidents in seven days; you need to have a middle class country that suffered, have 55 percent of the people living under the poverty line, have a lack of confidence in the bankers, in the journalists, in the politicians, and in the justices. We lost 70 percent of the Supreme Court. Nobody won – 80 percent of the people lost the election and it was real drama that we suffered. For this reason, we are not a model.

To do this restructuring process, the value was in the market of the Argentine bonds, which were at 15 percent. At the moment of the restructuring, it was 33 percent of the original value and now it's close to 60, 66 percent. The case is, we're trying to play in very good faith, but at the same time we are facing these constraints at the legal level and with the budget situation.

Because for us, it was very important to have a high acceptance level, so we put some conditions: 100 percent of the fiscal surplus. But at the same point, the central idea

was sustainable because we wanted to return to the past when we had 100 percent acceptance and were sustainable for one year, imagine how difficult it was for us to guarantee close to 3 percent of surplus for 30 years. That is our commitment. It was not so easy for us and we are over-fulfilling these conditions.

This is my answer today; I don't have any more answers. Obviously, we are a democracy. If the people in Argentina, by the people, by the congress, by the executive branch, decide to have another policy, it will be the decision of the Argentine state. But we need, first of all, to guarantee the rights of the bondholders, that they are the owners of the new bonds in Argentina. We have, in this moment, normalized 98 percent of the total debt of Argentina. Today it's more sustainable than before the crisis. That was the cornerstone of our policy. Obviously, I recognize that it had a cost for some investors, and had a cost for the prestige of the IMF, but also had an incredible cost for the Argentine. Because for the reason I repeat on the third occasion, we are not a model. We were a good example to overcome a crisis, but we are not trying to be a model about what happened in the '90s and in the first years of 2000 in Argentina.

MR. ALCONADA: If I may add, I agree with him. And also, that is not an issue now in Argentina for the campaign. At least, nobody has said anything against maybe someday trying to deal with this issue.

Second, it's not a funny thing or something that is a matter of pride for Argentines. During the restructuring process my generation lost everything that it had in the bank accounts and also in the pension funds. And we had to start all over again. I'm 33, so I have still like 30 years to build on my own pension. But I mean, there are people 50 years or 45 years old; they have to start all over again. So it's not a funny thing in Argentina to talk about the debt.

The other thing is that, if this issue is dealt with some day, it will be dealt with probably in a way that will not offer as much to everyone as in 2003 or 2005. It will be with fewer advantages. Otherwise, it will generate another wave of suits and demands against the Argentine government by the people that accepted the first offer. So it's going to be complicated to deal with this. But by now, nobody has said anything at all in Argentina in his or her campaign about this issue.

MR. DARENBLUM: We have time for one more question before we end our session. Yes?

Q: My name is Aaron Malás (ph). I'm from Georgetown University. I was wondering if you could give us a little bit of perspective on what you expect as far as – looking at Cristina as probably the winner at this point – what do you expect as far as the composition of a cabinet and who she would be looking to as her main economic advisors, who she might be drawing from Nestor's administration and who she might be bringing in that isn't already there.

MR. BORDÓN: First of all, bueno, because it's my final words, I want to recognize the excellent exposition of my friend, the journalist, Alconada. Second, for us, it's very important to say that we are showing today the results of what happened in some polls. As a part of Argentine democracy it's very important to go and to vote. And we have in the world, and we have in the elections in my country, some surprises. And I recognize, not as Ambassador, but as a politician, how Cristina Fernández acted in terms of not announcing any kind of victory. Not only because it's not polite, but also because it's a lack of respect to the people because we want to maintain an 80 percent participation rate. The people were very angry with the politicians and with the parties, but yet they decided to vote. It is very important in our country.

Secondly, I think, because it's not so easy in one minute to answer you, the two big questions looking into the future that we have for the next decade: how will we guarantee economic growth with social inclusion, not at the same level, but with the same tendency as the last five years. We have between 80 and 90 percent of the leaders and the population in a strong consensus about the macroeconomic policy of Argentina. The discussion is about how we will continue it. For this reason, Cristina is trying to show herself as continuity and change, continuity of the best and change to face new challenges.

Secondly, the other big question is, how will the political party system be in the next decade? The president says that he will work to reorganize the party. We don't know what party: the Peronist party, the Frente Para la Victoria. We have very important leaders in the opposition, very intelligent, excellent people, honest democrats with capability. But it's very important to reorganize the official party to permit better and more organization. We are a pluralist system.

We have the same international policy as Brazil and Chile; we are working together. Our positive agenda, for example, with the United States, is very important. In nuclear proliferation, we are one of the leaders. We presented at the Security Council. In terms to fight against terrorism, we are going to Morocco to request again the red notice in relation with the attack that we suffered, and our judges are trying to put in jail some Iranians associated with bombings in Argentina. And we suppose that it's possible that there was some relationship between the terrorist attack from Iran and from Hezbollah. We are very clear about what we want to have happen in terms of democracy.

For this reason, I think there are two big questions. If she is president, how will we maintain economic growth? We are not able to maintain Chinese economic growth in the upcoming years, but it's not bad to have had in a bad year 3 percent and in a good international year 7 percent, but with some balance. It's very important for us to have international research because the international situation today is not the same as four years ago; it's just not the same. The international situation today is more unstable.

To overcome the traditional problems in Argentina, we need to have a fiscal surplus, we need to have a trade surplus, and we need to have a strong position in terms of our international reserve. I think that these are the challenges that she or Carrió or

Roberto Lavagna will face. I think the election is very clear; she is in the first position. Carrió and Lavagna are fighting for the second position. And they believe, and they are saying in public, that they have the ability to make it to the second round and with the expectation that if they go to the second round, they will win. This is the general situation that we have in Argentina, the challenge that if she is the first, not the first woman president, but the first woman elected president in Argentina; she will have to lead us through this experience.

MR. ALCONADA: Yeah, just to add a little short comment. About the cabinet, nobody knows. If you want to use the past as a president, President Kirchner used to decide this in a few days and with a group, a small group of three or four people, that's all, in Santa Cruz. And actually, for instance, there is a post open now at the Interamerican Development Bank, a vice presidency post that has not been filled by the Argentine government. And it will probably, for what it seems, be postponed until the new government takes office and decides who to use, moving around people and everything.

I think what we can say is only in suspicions that probably the foreign minister Tayana will stay in that post or in some other post. But also, Alberto Fernández, Parrili, the chief of cabinet, Alberto Fernández, Oscar Parrili, and Carlos Anini will stay. The core group will stay. Nobody knows where, but they will stay.

MR. BORDÓN: The only thing – I am sure I will be in Argentina on December 11<sup>th</sup>, and with the president because I think it's very important for my country to reestablish the political scene and to have more public discussion, honestly. I think it's very, very important. We didn't have primaries. Nobody had primaries. If we had primaries, I am sure that if Cristina was the candidate, she won. If Carrió won, Lavagna won the primary, I am sure. But we didn't have primaries because we continued on in the middle of the political party's recovery. But this is very important because, in the short time, legality and legitimacy are the same, but if we continue without primaries, if we don't define how the new social ideas will be, and have a territorial coalition to organize the new parties, it will be very difficult, not in the short term, but in the long term, to build and sustain a high quality of democracy.

And we have good democracy in this moment, but we need to watch the middle and the long term. I think the big challenges in Argentina, I repeat, are how to maintain the sustainable economic growth and social inclusion that we have today. It's not so easy. We have many challenges – he mentioned energy, inflation, and so on. It's reasonable because the path through Argentina was a great success in relation with other devaluation processes. It's reasonable; it's a reasonable challenge. But our new challenge: how to increase the competitiveness of our economy, how to have the same quality in the other parts of our judiciary system that today we have in the Supreme Court. This is the big challenge; this is the promise; it's our dream thinking of Argentina. Thank you so much, my dear friends.

MR. DAREMBLUM: Let's give a round of applause to our speakers.  
(Applause.) We thank you for having attended this lecture.

(END)