



ARGENTINA – January 2020

KICILLOF IN THE LAND OF OVERKILL..... 1

Kicillof in the land of overkill

The next 180 days will not be a honeymoon. But they will not be the instant marital hell for the new government that the opposition is imagining either.

Argentine democracy is full of small and big parliamentary battles. It's been a fact of life since 1983 and it's no different now. The latest showdown came this week in Buenos Aires Province, where Governor Axel Kicillof, the Kirchnerite economist who took office last month, tabled a sweeping tax bill for approval. The governor's Peronist front controls the provincial Lower House, but it does not control the Senate, where it is at the mercy of the centre-right coalition headed by former president Mauricio Macri.

The tax bill unleashed an argument and it effectively turned into the first real test for Kicillof, a former economy minister with sharp political reflexes, who is more used to crunching numbers in the Executive branches of power. His bill was designed to update provincial property taxes and the likes to keep up with inflation, which is galloping along at an annual rate of around 55 percent.

However, a more affluent swathe of the population, including about 200 big ranchers, were set to be hit by a hike of 75 percent. The argument snarled the debate and the tax bill was approved only on Wednesday when it was tabled in the Lower House and then swiftly moved to the Senate, where the centre-right majority subsequently tweaked it. It was then sent back to the provincial Lower House where it was finally approved with the changes.

Kicillof, after the approval, accused the opposition of standing up for the vested interests of the rich and powerful (amid accusations of exemptions for the big cable television companies and the farm sector grain corporations). The governor was deliberately making a point of complaining about the amendments sponsored by the centre-right opposition in the Senate, in an effort to show that they have sided with a handful of big landowners and moguls.

The opposition, meanwhile, counters that Kicillof went too far with the tax increases and says that they were especially punishing for the farmers. In the end, the tax bill approved is the product of a political agreement which included the governor meeting with centre-right opposition mayors who rule over many provincial towns.

The verbal fireworks sparked by the tax bill arguments are momentarily over. The farmers had started the engines of their tractors to protest, but it is a done deal.

Time tells many things. Time will tell who won the tax-increase argument in Buenos Aires Province, the nation's biggest voting district where President Alberto Fernández thrashed Macri last year. Taxes are never popular and the governor will have a hard time if the economy does not pick up and he fails to deliver for his electoral base. The press is watching Kicillof closely because he is a key ally of Vice President Cristina Fernández de Kirchner. Already there is speculation about internal arguments the governor has had with the president and the Peronist mayors.

But is this overkill? Kicillof, practically out of nowhere, defeated the incumbent pro-Macri governor, María Eugenia Vidal, with over 50 percent of the vote last October. The new opposition is trying to pick an argument in the press, but it's an argument

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that appears to have been settled by the upset election result. The centre-right mayors involved seem to be well aware of this, because some of them called for the approval of Kicillof's tax bill.

Effectively the opposition, and everybody else for that matter, must wait 180 days to see if President Fernández's plan is working. The new head of state has frozen utility and transport fares and has put collective bargaining on hold by ordering wage increases by decree, after the national Congress recently granted him special powers by declaring an economic emergency. Pension increases have also been decreed while Congress gears to debate a reform of the system. A new debit card for food purchases will also be handed out to poor families. The plan also includes strict currency exchange controls, introduced by Macri, which have now been enhanced with a 30-percent surcharge on greenback purchases (limited to US\$200 a month).

The latest announcement is a price-watch plan (hello again Precios Cuidados) which fixes the price for about 300 products. Officials said the idea is to set reference prices that will serve to keep in check the price of other products.

The next 180 days will not be a honeymoon. But they will not be the instant marital hell for the new government that the opposition is imagining either. Some opposition leaders seem to forget that patience is a virtue – six months from now public opinion might start listening to the opposition's case if there's no clear evidence, say, that inflation is slowing down. The centre-right was initially fiercely critical of the tax increases championed by Kicillof, but progressive tax hikes to make ends meet will not be necessarily frowned upon by the International Monetary Fund (IMF) when the time comes to renegotiate the Republic's huge debt burden.

The ultimate challenge for the Peronist administration is to deliver for its electoral base in Greater Buenos Aires – and to appease the creditors abroad.

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