



CAN GOVERNMENT-CENTRIC ECONOMIES IN LATAM CONVERT INTO MARKET-CENTRIC INVESTOR DARLINGS?

ARGENTINA WILL OFFER CLUES IN 2024

2024 LATIN AMERICA INSIGHTS
CHAPTER I-A VIEW ON ARGENTINA



When the Chileans elected Gabriel Boric into office, back in December 2021, many heard a death knell for free markets. Even Chile, the regional referent of the Chicago-University style economic policies¹ that many see as radical laissez faire, had chosen the government-centric political alternative.² In 2018, so had Mexico.³ In 2019, so had Argentina.⁴

Was that game-over for free markets in Latin America? 2022 brought the question into sharper focus when both Colombia⁵ and Brazil⁶ fell for the more government-centric discourse.

In that context and considering the country's long affection for a government-centric economy, no one foresaw Argentina electing a new president who openly shouts to the world that a free market economy is the only way to embrace growth and development.⁷

Milei's Game Plan to Transform Argentina

Milei won the presidency of Argentina in November 2023, by fundamentally diverging from the traditional playbook, candidly stating government spending must be strongly reduced⁸ and blaming politicians for the deterioration of the country.⁹ Despite contradicting conventional election strategies by explicitly stating that he would cut government spending, he captured almost 56% of votes to unexpectedly ascend to power and pursue change.¹⁰

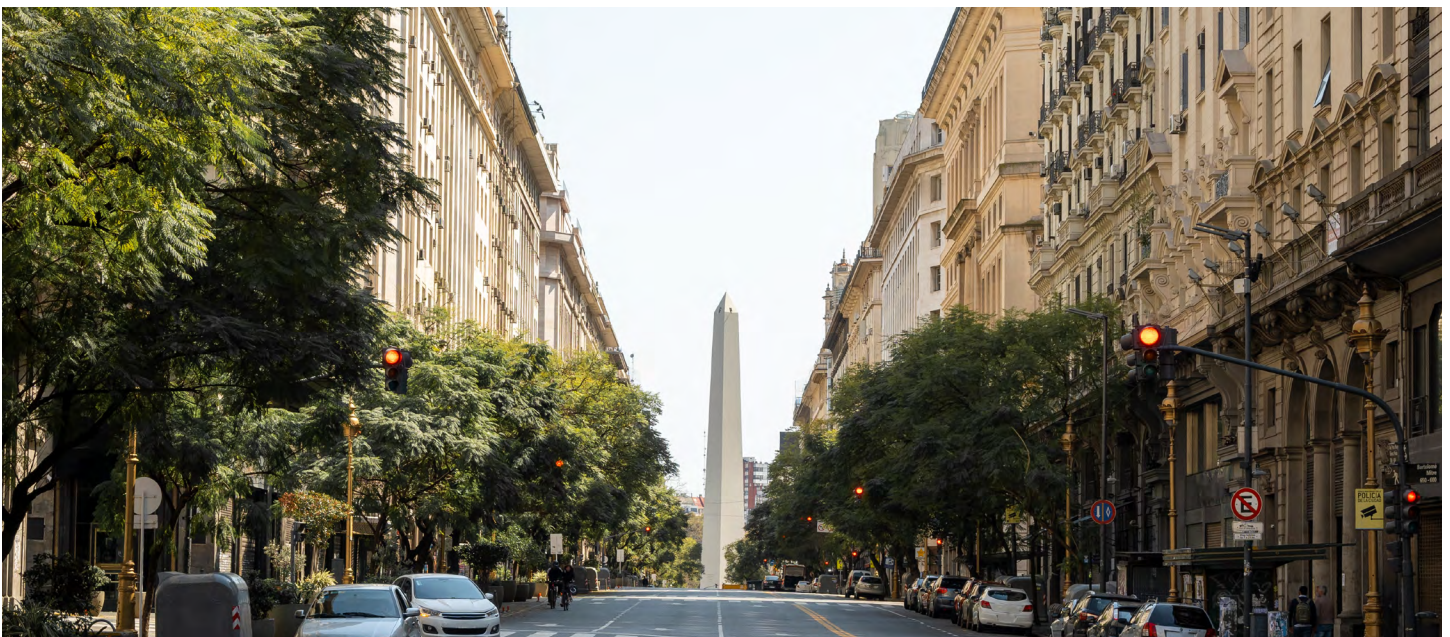
Transforming Argentina doesn't come about easily, though. Milei's biggest battle is happening in early 2024 with a massive reform he attempts to get through congress and the judiciary,¹¹ two areas of government where his political party has little strength.¹² This initiative is fueled by Milei's big win in the presidential elections and the popularity he still has¹³ among the Argentine people. Will that support last long with annual inflation ascending beyond 180% and a possible recession on the horizon?¹⁴ The first semester of 2024 will be critical for Milei's reform plan in Argentina.

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Fundamental Realities Shaping Argentina

Milei asserts that Argentina needs three decades of liberal policies to become a global power,¹⁵ a radical transformation that prompts skepticism. While time will reveal the validity of these aspirations, there are immediate realities shaping Argentina's landscape that businesses in Latin America should consider.

1. Argentina's legal and cultural frameworks concentrate power in the presidency. Despite the relevance of congress, provincial governors, and the courts, the president plays a pivotal role in shaping the nation's trajectory.
2. Milei swiftly attempts to amend hundreds of laws and regulations,¹⁶ emphasizing the urgency of change towards decreasing the role government in Argentina's economy. Even if only a fraction of those amendments survives scrutiny, a significant shift in how the country operates could occur.
3. Another consideration is whether altering the legal framework alone is sufficient for meaningful change. Rules, subject to presidential decree, can be easily reversed. Furthermore, changing a society's beliefs and behaviors ingrained over decades poses a formidable challenge.



Investing in Today's Argentina

Investors, however, stand at a unique juncture. If Milei succeeds in modernizing Argentina, current investments may prove to be at historically low prices, offering an opportune moment to engage with the evolving market.

Privatization of public companies may offer significant upside to investors, strategic investments in promising sectors of Argentina's economy such as mining, agriculture, energy, oil and gas, or infrastructure also could yield fruitful returns.

Lastly, Argentina's history of leaning towards a government-centric economy for more than seven decades raises skepticism. Past attempts at change by President Menem in the 1990s¹⁷ and President Macri in the 2010s,¹⁸ fell short. The question remains: will Milei's efforts mark a departure from this pattern?

Will Milei succeed in his mission to depart from a government-centric economy?

Our Takeaway

Argentina's President has launched a real blitz to reshape the country into a market-driven society. Whether Argentina pivots away from its government-centric philosophy in 2024 remains uncertain. Regardless, Milei's government will undoubtedly be a focal point in the months and years ahead, making Argentina a case to closely monitor for any company interested in Latin American business in 2024.



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GUSTAVO MORALES OLIVER

Managing Director

gustavo.moralesoliver@fticonsulting.com

Gustavo Morales Oliver, a member of FTI Consulting Forensic Litigation Consulting's Risk and Investigations team, works closely with Strategic Communications across a range of Latin American topics. He has more than 20 years of experience advising clients across Latin America in internal and government investigations, compliance, anti-corruption, litigation, M&A, cross-border matters, business intelligence, risk management and crisis management. He specializes in articulating and implementing strategies with external and in-house legal counsel, as well as with board members and executives in a wide range of matters.

For questions on this insight, please contact Gustavo at gustavo.moralesoliver@fticonsulting.com.

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FTI Consulting Strategic Communications Latin America Practice

WASHINGTON DC

555 12th Street, NW
Suite 700
Washington, DC 20004
United States
Tel: +1 202 312 9100
Fax: +1 202 312 9101

HOUSTON

1301 McKinney Street
Suite 3500
Houston, TX 77010
United States
Tel: +1 800 349 9990
Fax: +1 713 353 5459

MEXICO CITY

Boulevard Manuel Ávila Camacho No. 126,
oficina 6B
Lomas de Chapultepec
Mexico, CDMX 11000
Mexico
Tel: +52 55 5540 7023
Fax: +52 55 5540 7024

BOGOTÁ

Calle 77 No 11-19 piso 2
Bogota
Colombia
Tel: +57 1 319 8400

SÃO PAULO

Av. Presidente Juscelino Kubitschek, 1327 – 3º andar
Condomínio Edifício Internacional Plaza II
Itaim Bibi
São Paulo SP 04543-011
Brazil
Tel: +55 11 97227 7868
Fax: +55 11 3078 0144