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ARGENTINA: RUDDERLESS

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LETTER OF TRANSMITTAL

U.S. SENATE, COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, September 9, 2008.

DEAR COLLEAGUES: I directed my senior Senate Foreign Relations Committee (SFRC) staff member for Latin America, Carl Meacham, to visit Argentina from August 5–7, 2008, to assess the farm strike and its implications for the United States and others in the region in order to develop policy recommendations.

On March 11, 2008 the Government of Argentina (GOA) issued a decree that increased export taxes on Argentina's main agricultural export crops. This precipitated the worst political crisis since 2003 of the administration of President Cristina Fernández de Kirchner and her predecessor and husband Nestor Kirchner.

Argentina's four principal agricultural organizations showed rare unity in organizing production stoppages and blockades of Argentina's transport infrastructure for 20 days, leading to nationwide shortages of such staples as beef, chicken, dairy products, and vegetables.

Although initially a domestic Argentine issue, political turmoil in Argentina could affect the economic stability of surrounding nations with investments in Argentina, as well.

Argentina ranks third worldwide in production of soybeans, fifth in corn (maize), and eleventh in wheat. Argentina is world-renowned for its beef industry. An Argentina paralyzed by a besieged government and a moratorium on exports bodes poorly for United States or other foreign investment and could have serious implications for the global agricultural market. With rising world food prices this would be a negative development.

But there are also important regional implications. Argentina is the main destination for Brazilian investment in Latin America. It is estimated that 10 percent of Brazilian capital invested abroad between 2001 and 2008 went to Argentina. In addition, not only do many countries invest in the Argentine economy, but some, like Chile, rely on Argentina for its steady supply of natural gas. Continued fuel shortages in Argentina as a result of economic slowdown or political turmoil could mean an energy downturn in Chile, for example.

Argentina's political and economic stability, as well as its food and fuel, are vital to the stability and growth of Argentina and its neighbors. If the United States is serious about its concerns regarding the resurgent trend of anti-market leaders and natural re-

source nationalism in Latin America, then the economic stability of a potential power like Argentina is essential.

Mr. Meacham's report provides important insights into the aftermath of the farm crisis, on Argentina's economy and political environment, and policy recommendations relating to developing a closer relationship between the United States and Argentina.

I hope you find the report helpful as the U.S. Congress considers how to advance U.S. interests and those of our friends. I look forward to continuing to work with you on these issues, and I welcome any comments you may have on this report.

Sincerely,

RICHARD G. LUGAR,
Ranking Member.

ARGENTINA: RUDDERLESS

From August 5–7, 2008 Senate Foreign Relations Committee minority staff traveled to Argentina on an official visit. During this trip, staff met with senior officials of the Government of Argentina (GOA), executive and legislative branch officials, representatives of the agricultural sector Governors, and opinion leaders (see Appendix I for complete list). At the request of Senator Lugar, the purpose of the trip was to:

- Understand the conflict between agricultural organizations and the Government of President Cristina Fernández de Kirchner that began with the March 7th, 2008 strike;
- Assess the implications of the farm strike for the United States and regional actors; and
- Develop policy recommendations for the United States Government (USG).

INTRODUCTION

In the last 100 years, only six Argentine presidents finished full terms.[1] Unfortunately, this is a representative statistic of Argentine politics and the unstable power base upon which its economy and democracy rest.

Argentina, once one of the richest countries in the world, has experienced much economic decline and political instability over the last 70 years, culminating in a profound political and economic crisis (2001–2002) that was comparable to the United States Great Depression. A financial panic in November 2001 led to bloody riots, forcing President De La Rua to resign on December 21. Argentina defaulted on $88 billion in debt, the largest sovereign debt default in history.

Many Argentines are at a loss to explain how their country, blessed with rich natural resources, fertile land, and low population density, fell so far short of its potential and seems destined to repeat mini boom and bust economic and political cycles, as it has done for so long. Some blame the military dictatorships and a lack of strong democratic institutions which predominated between 1930 and 1983; others blame corruption and a series of populist measures taken since 1944; and a significant number of Argentines

[1] Excluding military juntas—of which there are plenty in Argentina's political past—only five presidents have completed an elected term of office, only one of them completing two: José Figueroa Alcorta (1906–1910), Juan Hipólito Yrigoyen (1916–1922), Máximo Marcelo Torcuato de Alvear Pacheco (1922–1928), Juan Domingo Perón (1946–1952), Carlos Saúl Menem (1989–1995, 1995–1999), and Néstor Carlos Kirchner (2003–2007). It is far from certain that the current Argentine President, Cristina Elisabet Fernández Kirchner, will finish out her term; she has lost much of her public support due to the agricultural tax crisis and her government is divided.

blame external factors, particularly the International Monetary Fund (IMF) and alleged U.S. insensitivity to their plight.

Despite its advantages, once again Argentina is experiencing serious difficulties. This time it is because of the political fallout due to a tax instituted by Argentina's current president, Cristina Fernández de Kirchner, on Argentina's most prized agricultural exports.

As a result, Argentina's position near the top of global food exporters and its primarily agrarian economy have been compromised. The situation reached a boiling point when President Fernández de Kirchner put this tax proposal (referred to as Resolution 125 in the Argentine Congress, see Appendix II) to a congressional vote. A similar tax had initially been imposed several years prior by executive decree. This new tax, to the outrage of most Argentines, would have come on top of that previous one.

The lower house narrowly passed the measure. But after seventeen hours of debate in the Senate, Julio Cobos, the Argentine vice president, voted against his own government in a tie-breaker vote. Just days after the President's defeat, two important and longstanding members of the Kirchner cabinet, Alberto Fernández and Javier Urquiza, chief of cabinet and secretary of agriculture, respectively, resigned.

Many in Argentina's political opposition believe these events indicate a loss of influence in the President's own political coalition and a loss of confidence with the Argentine people. Others believe the effects are far worse and are proof of serious fissures in Argentine politics and its economy signaling the beginning of a deeper, long-term political crisis.

But, why should a seemingly internal problem in faraway Argentina matter to the United States? For starters, some 500 U.S. companies are currently operating in Argentina and employ over 150,000 Argentine workers. U.S. investments in Argentina are concentrated in the manufacturing, information, and financial sectors.

Argentina ranks third worldwide in the production of soybeans, fifth in maize, and eleventh in wheat. Argentina is world-renowned for its robust cattle industry—once the first in the world, now second behind Brazil. All told, Argentina's agricultural output in 2007 accounted for 11 percent of GDP and over one-third of all exports. With worldwide food prices on the rise, instability in the Argentine agro-sector could have regional and global implications.

Argentina is also an exporter of natural gas to many countries in the region. An economic slowdown could create fuel shortages in neighboring countries and foster economic instability.

And last, broadly speaking, many believe that if the United States is serious about its concerns regarding the resurgent trend of anti-market leaders and natural resource nationalism in Latin America, then the economic stability of a potential power like Argentina is essential. An Argentine economic crisis could contribute to significant loss of investments for investing countries and fuel shortages in the Southern Cone. In addition, it could prompt a political crisis for a people that have weathered far too much suffering in recent years.

BACKGROUND

On March 11, 2008 the Government of Argentina (GOA) issued a decree that increased export taxes on Argentina's main agricultural export crops. This precipitated the worst political crisis of either President Cristina Fernández de Kirchner or her predecessor and husband Nestor Kirchner since 2003.

Argentina's four principal agricultural organizations showed rare unity in organizing production stoppages and blockades of Argentina's transport infrastructure for twenty days, leading to nationwide shortages of such staples as beef, chicken, dairy products, and vegetables.

On April 2, agricultural producers decided to lift the strike for thirty days out of fear that the food shortages the stoppage prompted were undercutting their urban support and decided to hold discussions with the GOA. The parties negotiated but made little progress on the main issue of export taxes. The few agreements negotiated with the farm representatives were delayed or never implemented; they were undercut by hard-line elements within the GOA.

On May 7, the farm groups decided to resume their protests, this time with promises not to provoke food shortages. The latest strike focused on blocking sales and exports of grains and oilseeds, and was considered successful in its aims by analysts. The impact of the strike expanded; however, rural truckers joined the protest and started blocking all transportation in numerous areas to pressure the GOA and farm groups to reach an agreement to put them back to work shipping grain.

On May 25, farm groups held a rally of an estimated 200,000 protestors in Rosario, one of Argentina's principal urban centers and an agricultural stronghold. At the same time, the GOA held a much smaller rally in support of the export tax regime in Salta.

When President Fernández de Kirchner announced June 17 that she was submitting the tax hike to the Congress for its approval, farm groups suspended the strike and focused on the congressional vote. The GOA quickly turned the issue into something of a vote of confidence for the government.

In the immediate wake of the October 2007 elections, it appeared that the Kirchners had two-thirds support in both houses of Congress. In tandem with the Kirchners' sharp drop in public opinion polls, they also seem to have lost support in Congress and within their own ruling coalition. In the Chamber of Deputies, the GOA proposal barely squeaked by on July 5 with a 129–122 vote.

On July 15, Argentine farmers and pro-government forces staged massive rallies in the Argentine capital of Buenos Aires seeking to influence the Senate vote on the controversial export tax regime scheduled for July 16. The farmers' protest drew a crowd of 225,000 to 250,000 and the pro-government rally drew 85,000 to 95,000.

On July 17, after 18 hours of debate, the Senate tied at 36 to 36, forcing Vice President Julio Cobos to break the stalemate.

The Senate voted a policy that was already in place and underway. On July 17 the Senate withheld its approval of the decree but did not strike it down. The President had issued the decree in

March using the "economic emergency powers" that the Congress had granted her at the end of last year and then reauthorized in June 2008. Legally, the GOA could have continued collecting export duties at the same rates after the Senate vote, but politically that had become untenable. So the President withdrew Resolution 125, restoring the pre-March 11 collection rates.

A few days later, Chief of Cabinet Alberto Fernández announced the repeal of Resolution 125, ending debate over the export tax bill.

Though this is clearly a domestic Argentine issue, most analysts (Argentine and foreign) consider the entire dispute a significant setback for the government, with the vital agricultural sector more united than at any time in a century. During the conflict, the popularity of the government and the president dropped significantly.

According to a July 27 poll published by a popular centrist weekend paper, President Fernández de Kichner's approval rating was only 28 percent, a sharp drop from the 56 percent she enjoyed in January. A poll published in early August put her "positive image" rating at 19–20 percent. That decline was fueled not just by the agricultural problems but also by inflation and public security concerns.

Shortly after Cobos's tie-breaking vote, Alberto Fernández stepped down July 23 after months of rumors of his impending departure. Fernández, who served since day one of the Nestor Kirchner administration as cabinet chief and continued into President Fernández de Kichner's administration, was part of a close inner circle of decision makers.

In a full-page spread, a left-of-center newspaper detailed Fernández's reasons for his resignation as reportedly relayed to his inner circle. Among the nearly dozen reasons cited, Fernández expressed frustration with the Kirchners' (husband and wife) inability "to read" and act on events, noting they had a chance to make changes at zero cost but now the government had to pay a high price. He indicated that while the First Couple may believe he is "soft," he does not believe in permanent confrontation, which led them to squander the potential for a great administration.

At the time of staff's visit, the Argentine press continued to speculate that there would be more resignations, despite GOA pronouncements to the contrary. Chief among the possible departures is Commerce Secretary Guillermo Moreno with calls for his exit coming from within the administration and externally, according to leading daily Clarin. Fernández has since been replaced by Sergio Massa, the 36-year-old mayor of suburban Tigre.

Also at the time of staff's visit, President Fernández de Kichner had just held the country's first presidential news conference since 2003, and defended the farm and inflation policies that have eroded most of her public support (August 2, 2008).

The president said her proposals were aimed at helping redistribute wealth to poorer people and regions of the country. She disputed criticisms that the country's inflation index is inaccurate and backed her failed effort to impose new export taxes on farm goods.

"If I could go back, I would do the same things I did," the president told reporters. Many Argentines viewed this as a lost opportunity to reassure the Argentine people that the GOA is strong and to offer new policies to complement her outreach to the media. In-

stead she left her countrymen and women baffled and the United States and the international community confused—what would this mean for foreign investments and for Argentina's political stability?

ANALYSIS

THE ECONOMIC IMPACT OF THE FARM STRIKE ON INVESTMENT IN THE ARGENTINE ECONOMY

It remains difficult to separate the impact of the farm strike on foreign investment from so many other contributing factors, including Argentina's rising inflation (estimated to be at 8 percent by the GOA but realistically believed to be over 25 percent), worsening fiscal outlook, and general lack of contractual and regulatory sanctity. According to some economists, as a result of the farm strike, exported primary products dropped 7 percent and agricultural exports fell 18 percent, each incurring price increases of 42 percent and 61 percent, respectively. Consumer confidence fell 11.6 percent in May 2008 alone.

In general, the number of planned investments has declined in the first half of 2008 compared to the same period in 2007, though the total value of investments is on the order of 42.3 percent higher than for the first half of 2007, to make this an even more complex picture.

As a result it is safe to say that probably many sectors have been negatively affected by the farm strike in terms of their investments, but it is still too early to identify them.

Regardless, staff believes that damage has been done to Argentina's image as a stable and dependable exporter, severely affecting the influx of foreign investment. The investment climate in Argentina is bleak. Argentina had only received 5.4 percent of the $105.9 billion of foreign direct investment in Latin America last year; Brazil received 33 percent, Mexico 22 percent, and Chile 14 percent. Projections for this year by most accounts are worse. Foreign direct investment growth depends on a country's stability and predictability; because of recurring instability, long term planning horizons are not yet possible in Argentina.

The hardest hit by an economic downturn in Argentina would undoubtedly be Argentines, who would suffer political difficulty in addition. And, while events in Argentina would have little effect on the U.S. economy, the same cannot be said about the rest of the Western Hemisphere, especially those countries with heavy investments in Argentina. A downturn would mean setbacks for these economies (among others) noted below.

Brazil

Brazilian investments in Argentina are mostly in oil, cement, mining, steel, textiles, cosmetics, banks, food, and beverages. Brazil looks south for opportunities to grow in those markets. According to the UN Economic Commission for Latin America and the Caribbean (ECLAC), Argentina has been receiving an average of 4 billion US dollars a year in foreign direct investment since 2003, nearly 40 percent of which comes from Brazil. Argentina is the main destination for Brazilian investment in Latin America. It is

estimated that 10 percent of Brazilian capital invested abroad between 2001 and 2008 went to Argentina.

Examples of Brazilian influence in Argentina are many: Petrobras, Brazil's state-run oil company took over the private Argentine firm, Pecom, Argentina's major integrated energy generation and distribution company; beer and soft drink company AmBev recently bought out Quilmes brewery, the omnipresent sponsor of the Argentine football and rugby teams; Belgo Mineira of Brazil took control of the private Argentine steel mill Acindar.

Interestingly, much of Brazil's Argentine purchases occurred during that country's economic collapse (2001/2). This is when six of Argentina's major corporations were purchased by Brazil. With this, Brazil began an irreversible economic embrace of Argentina. Such investment was important to Argentina's recovery, and now Brazil's investments are important to Argentina's stability.

Chile

According to General Directorate for International Economic Affairs of Chile (DIRECON), Chile has invested $41 billion internationally between 1990 and 2007. This represents 900 businesses and over 2,000 ongoing projects. Despite being spread over three continents, Chilean investment has overwhelmingly targeted Argentina. While 89 percent of all Chilean investments remain in the Western hemisphere, Argentina remains the first and foremost recipient at 37 percent. DIRECON estimates that $16 billion Chilean investment dollars went to Argentina between 1990 and 2007.

Although an economic downturn would be very troubling for Chile, Chileans depend on Argentina mostly for its supply of natural gas. The trans-Andean natural gas duct that links the two nations supplies not only the vast majority of heating gas for residential areas like Santiago but also supplies the port city of Valparaiso. It is also essential to the continued operation of the world's most important copper mines in the mountains of northern Chile. Continued fuel shortages in Argentina as a result of economic slowdown and/or political turmoil could mean an energy downturn in Chile, as occurred in 2004.

Uruguay

Uruguay is the source of much of Argentina's energy, as the Uruguayans sell unused units of hydroelectric power and natural gas to their Argentine neighbors.

The bulk of the Uruguayan economy is agro-derived, much like that of its larger neighbor. Argentine tourists flock to the beaches on the Montevideo side (Punta del Este), and Uruguayan banks are replete with Argentine offshore wealth. The closeness of the two nations, however, could spell disaster for Uruguay should the Argentine economy "nosedive."

Moody's Investors Service recently lowered Uruguay's investment-grade rating because it is increasingly vulnerable to macroeconomic shocks emanating from Argentina. Uruguay is highly dependent on its large neighbors, Argentina and Brazil, and is affected by Argentina's plight. Uruguay has already experienced three consecutive years of economic contraction and many analysts relate this to the Argentine economy.

MERCOSUR

Argentina has been a major player in the economic development of the region and a leader in economic integration efforts. Argentine-Brazilian leadership was seminal in the creation of MERCOSUR (Southern Common Market). While MERCOSUR may only be a regional trade agreement, it represents the resurgent trend toward Latin American integration and the global trend toward the creation of continental unions.

Argentina accounts for over a quarter of the GDP of MERCOSUR and 13 percent of the world's corn exports. As all the states in the Southern Cone are MERCOSUR members or associated members, the impact of the Argentine economy and the inherent hiccups of Argentine fiscal policy will be felt throughout the region. MERCOSUR, as a highly integrated economic structure, would only amplify these shockwaves.

Also, an Argentine economic downturn in combination with the Argentine/Brazil split in the recent Doha Round debacle, with Argentina refusing to join its MERCOSUR partner, Brazil in agreeing to a "breakthrough" to save the round, may well mean a less stable economic and political environment among MERCOSUR member states. This certainly bears watching.

United States

The United States and Argentina enjoy a healthy trade relationship, amounting to $9.3 billion in 2007, with a positive American balance of $1.4 billion. An analysis of the 1985–2008 period shows that the dollar amount of Argentine-American trade is expanding yearly. Argentina is the 32nd largest export market for U.S. goods. The stock of U.S. foreign direct investment in Argentina in 2005 was $13.2 billion, up from $11.5 billion in 2004. U.S. investment in Argentina is concentrated in the manufacturing, information, and financial sectors.

Imports from the United States largely comprise intermediate capital goods which have contributed to improvements in domestic productive capacity. CIA World Factbook figures show the United States only receives 7.6 percent of Argentina's exports.

As was mentioned earlier, an economic downturn in Argentina would have but a minimal effect on the U.S. economy.

OTHER REACTIONS AND THE BROADER ROLE OF THE ARGENTINE ECONOMY IN ATTRACTING FOREIGN INVESTMENT

Major 2007 Argentine export markets were MERCOSUR (22 percent), the European Union (EU) (18 percent), and the member countries of the North American Free Trade Agreement (NAFTA) (11 percent). Argentine 2007 imports totaled $44.7 billion, with the major suppliers Mercosur (36 percent), the EU (17 percent) and NAFTA (16 percent).

Other major sources of investment include Spain, Italy, France, Canada, and Japan, apart from the farm strike fallout, a range of economic experts have identified challenges to sustaining high levels of economic growth and foreign investment in the future. These include: capacity constraints; the need for substantial new investment in primary infrastructure; potential energy shortages in the

face of high growth and domestic energy prices kept below international market levels; increasing scarcity of highly skilled labor; inflation and the government's heterodox policies to contain it, including price controls.

Continuing Argentine arrears to international creditors (including roughly $30 billion in default claims by international bondholders, including U.S. citizens, and over $8 billion owed to official creditors, approximately $440 million of which is owed to the U.S. government) and a large number of arbitration claims filed by foreign companies, including U.S. companies, are legacies of the 2001/2 economic crisis that remain to be resolved and adversely affect Argentina's investment climate.

The GOA recently announced that Argentina will pay its entire $6.7 billion debt to the Paris Club of lending nations shoring up sagging investor confidence and opening the door to needed new capital as its economy slows. Though important, settling the Paris Club debt will have only limited impact on improving sentiment about Argentina's financial health.

Though the GOA's initiative to settle its debt with the Paris Club is a welcome step towards ending its international financial isolation, staff believes that USG policies could be helpful only if the GOA develops an economic consensus that strengthens Argentina's economic fundamentals (controlling inflation, its fiscal outlook, labor-wage disputes, and contractual and regulatory sanctity, among others). It is particularly important for the GOA to have a debt financing strategy, which unfortunately it doesn't have yet. Providing accuracy and confidence with the statistics bureau would have a large impact, as well.

Once the GOA begins to deal with these pressing issues, staff believes that one way of building on this progress could be the creation of a framework between the USG and Argentina to offer incentives for more plentiful U.S. commercial spending patterns in sectors that speak to Argentina's comparative advantages, such as agribusiness (e.g., production of value-added agricultural equipment and high value-added end-products, such as the wine industry produces), as well as sectors exploiting Argentina's highly educated and capable workforce (e.g., software and tourism).

In light of the magnitude of Argentina's 2001/2 crisis, staff suggests that 10 years—from 2002 to 2012—is a reasonable period of time to allow for such a solid recovery. Staff believes that the upcoming 2011 presidential elections are a natural inflection point to which one might reasonably look and take account of the progress Argentina has made since the 2001/2 crisis.

THE POLITICAL IMPACT OF THE FARM STRIKE

A. Argentina's Executive Branch: Taking a step down from the pedestal

After the 2001–02 political and economic crisis, over half of the Argentine population lived below the poverty line. The GOA had to address immediate needs by providing the poor with food. Now that the immediate crisis is over, they want jobs, and the Kirchner administration is running up against the expectations that these problems can be resolved quickly.

Argentina's strong macroeconomic recovery under former President Nestor Kirchner has generated public expectations that are difficult to fulfill, especially in a political culture not known for its patience. As a result, President Fernández de Kirchner's domestic official priorities focus on accelerating income redistribution, the creation of decent jobs, and improving institutional quality in order to build civil society's respect for democratic institutions, such as the Congress and the judicial system, all the while "maintaining respect for the executive."

During the farm conflict, the President communicated her political aims poorly, and with the August 2nd press conference continued a stern posture and disposition; analysts concluded that she did not choose to soften her tone out of a fear of appearing politically weak.

During the trip, most sources informed staff that it was unlikely the GOA would reintroduce a new version of the variable export tax proposal to the Congress in the short-term.

From GOA sources, staff believes that the GOA understands that it needs to do a better job of explaining its agricultural policy agenda in the future, especially if it intends to use it as a tool to redistribute wealth.

Though the GOA is weaker as a result of the farm crisis, it will continue advancing its stated political agenda to improve conditions for workers, the lower middle class, and the unemployed. A GOA source told staff that Argentina aspires to "the American Dream where just because you are poor doesn't mean that you will remain poor."

Government sources felt it was unfair for the rural sector to claim that the GOA does not have an agricultural policy. For example, many believe that Argentina's weak currency has made expanding exports more attractive to domestic producers. Domestic fuel prices are significantly below world prices which have served as an effective subsidy to the agricultural sector.

Sources claimed that if the GOA allowed the market to set prices, bread would be ten times more expensive and energy four times more expensive in Argentina than it is now. Sources asserted that the GOA's variable export tax proposal was theoretically sound.

Staff believes that the GOA is concerned that high international prices for soy had prompted agricultural producers to shift production out of wheat and corn, which Argentines consume, to soy, which Argentines don't consume. According to this perspective, if the GOA were to allow fuel and food prices to match world prices, Argentina's economy would "fall once again." In this regard, sources argued that the GOA needs "to do a better job at communicating these facts in a transparent and technical way, to build a social consensus on these issues, arguing that food and energy prices have to be in line with Argentina's reality, not the world's."

Staff believes that for the GOA, the tax proposal was intended to encourage domestic agricultural producers to increase their production of wheat and corn by increasing taxes on soy and reducing taxes on wheat and corn. However, staff believes that rather than explaining this proposal and finding common ground, this proposal was pushed without building a social consensus.

Regarding the GOA's defeat in the Congress, sources asserted that the outcome was "an advance in institutional quality" and that it was "not a dishonorable loss" for the Kirchner administration.

Sources noted that the GOA won in the House and "tied" in the Senate. Many political analysts pinned the loss in the Senate to Senators who have a lot of bad blood with the Kirchner administration and are looking to weaken the executive branch, such as former Presidents and current Senators Carlos Menem and Adolfo Rodriguez Saa.

In this regard, when staff asked about speculation surrounding President Fernández de Kirchner's ability to wield influence or power as a result of the farm strike, government sources dismissed these concerns, and optimistically predicted a moderate electoral triumph for the Kirchners in 2009 mid-term elections.

B. Argentina's legislative branch: No longer a rubber stamp for the executive branch

Argentine Senate sources criticized the government's handling of the agricultural sector crisis, and described a changed political landscape in Argentina. Senators from diverse camps anticipated new opportunities for a more assertive and independent legislative role following President Fernández de Kirchner's defeat on agricultural export taxes.

In staff's meetings with opposition leaders they chastised the Kirchners (husband and wife) for pushing their policies to an extreme and spoke directly about concerns that President Fernández de Kirchner could fail to complete her mandate. Sources believed that President Fernández de Kirchner would muddle through, if only because many fear the instability that could follow her resignation. In addition, most analysts believe the opposition is not in any condition to replace the President if she were to resign, which strengthens the case for President Fernández de Kirchner to remain in power, but also increases anxiety among regular Argentines who feel that their political options are limited.

Nevertheless, the President's declining poll numbers and rising public concerns over issues like inflation have changed the dynamic for the opposition, also creating rifts within Peronism and emboldening moderate Peronists to speak up concerning their assertion of excessive presidential power.

Some Senators from the opposition as well as from the Peronist Party expressed concern however, that President Fernández de Kirchner and what they called her "hard-line" advisors could resort to more radical and polarizing policies in an attempt to recover power, with dangerous consequences for Argentine democracy.

Other legislators said they are working to seize the initiative, adding that the opposition is more united than ever. They noted that former President Nestor Kirchner and President Cristina Fernández de Kirchner had, during their respective administrations, notably concentrated executive power, resulting in Congress being viewed by many Argentines as merely a rubber stamp of the Kirchners' agenda. In the wake of the Senate's defeat of the executive branch's agriculture export tax proposal, the legislature is beginning to shake off that particular label.

C. The Farm Sector: "Breaking Through"

One of the outcomes of Argentina's extended 120-day-long agricultural protest has been a paradigm shift for the agricultural sector's interaction with the government. The creation of a coordinating Liaison Table ("Mesa de Enlace") to act as a unified voice for the various interests of the sector has enabled a unity among a normally fractious agricultural community that has never before existed in Argentina. The Liaison Table has emerged as a mechanism through which competing agricultural interests will determine priorities for the entire sector. According to a farm sector activist those priorities determined by consensus will supersede the interests of any one specific interest group within the rural sector.

The four agricultural groups—the Federacion Agraria Argentina (FAA), the Argentine Rural Society (SRA), the Argentine Rural Confederation (CRA), and the Agricultural Cooperative Confederation (Coninagro)—who form the Liaison Table are committed to this new-found solidarity and intend to lobby the GOA as a single voice.

According to a farm sector activist, internal polling of farmers shows that 90 percent of their members have a positive view of the Liaison Table and that it is perceived as an honest broker of sector interests. Those farmers also indicate that they want the Liaison Table to complement the four existing groups and become a permanent fixture that will promote and represent a unified sector stance. The source commented that the Liaison Table began the process of creating 20 sub-committees to discuss sector-specific interests, including legislative affairs.

Before banding together in protest over the GOA's variable agricultural export tax, the agricultural sector's interaction with government officials was limited and largely uncoordinated.

As a result, the agriculture sector's petitions to both Kirchner administrations fell on deaf ears. This was exemplified by President Fernández de Kirchner's sending the tax resolution to Congress only after there had been 100 days of conflict.

Although the export tax was defeated in Congress, there remain many unresolved agricultural sector issues. Particularly, within the past 3–4 years, milk and beef production have seen significant declines due to the lack of a stable, long-term agricultural policy. In addition, exports are impeded by overregulation, with numerous regulations created just within the past few months. From meetings with the agricultural sector, staff believes that those regulations will need to be revised to provide positive incentives for the agricultural sector and stimulate production.

It was also clear to staff that farmers have difficulty making prudent decisions in a market where the GOA changes the rules of the game from one week to the next. Added to that uncertain policy environment is the farmers' lack of negotiating position against the major exporters, who are somewhat cartelized. It seems that all these issues will need to be addressed for long-term commercial stability to return between GOA and the agricultural sector.

Staff asked whether farmers would protest future GOA actions by blocking roads or if they will change their strategy. An agricultural sector source indicated that the agricultural leaders realized that blocking roads was not the best long-term approach to stimu-

late favorable changes and support. Instead of creating the social unrest associated with blocking roads that occurred earlier in the strike, the farm groups have become much more organized and are better at utilizing less confrontational tactics to get their message across. For example, through the Liaison Table, they are reaching out to a receptive press, as well as to lawmakers. Although they would like to negotiate with the Secretariat of Agriculture, they also recognize the necessity to work within the Congress.

Staff believes that the agricultural sector has decided to focus future protests in a more "civic" way by pressuring legislators and chipping away at the current political structure little by little.

D. The Farm Crisis, a symptom of Argentina's "Broken" Political Machine? A view from the Provinces

According to some of the governor's staff met with during the visit, one of the political problems confronting them is the concentration of power within the executive and the Peronist Party (PJ).

When staff asked one governor to explain Peronism, the governor responded that it is difficult to explain and quipped: "You have to guess it and feel it." He added that Peronists are very proud and that the party is a broad and inclusive movement.

The governor continued stating that the reason why politicians and officials do not effectively represent the interests of their constituency is because they are beholden to the party structure and the executive branch.

Another governor explained that "In order to have political autonomy, you need economic autonomy," noting that three of Argentina's strongest agricultural provinces, Santa Fe, Entre Rios, and Cordoba, generate an enormous amount of federal revenues through commodity export taxes. But according to the same governor, the nature by which the central government returns those contributions to the provinces is arbitrary, very political and some allege that its application can be partisan.

Regarding the farm crisis, one of the governors remarked that the conflict's adverse impact on the GOA was quite strong, but the GOA is recovering, adding that the country's economic growth is not accurately reflected in newspaper headlines and arguing that generating 3 million new jobs (as claimed by the Nestor Kirchner administration) is not a modest accomplishment.

Another governor explained that though the country has grown, the GOA needs to focus on the future by redistributing wealth and dealing with inflation. He remarked that Argentina has a history of fighting recurrent bouts of inflation, noting that political stability rests on economic stability.

CONCLUSIONS AND RECOMMENDATIONS

There is plenty of room for improvement in the U.S-Argentina relationship. Both sides have complaints, from the United States feeling slighted by the treatment allotted to President Bush at the Fourth Summit of the Americas at Mar del Plata (November 2005), to Argentines' feeling that the United States could have done more to relieve the suffering of the Argentine people during the 2001/2 crisis, or even further back regarding the U.S. support of the

United Kingdon over Argentina in the Malvinas/Falklands War (1982). Regardless of the gripe, it is clear that this relationship is in search of a clear direction and a new beginning.

But as in any relationship, reconciliation takes trust—and the willingness of both parties to build that trust. Recently, the USG has demonstrated increased interest and commitment for this relationship. As a result, the GOA has begun to demonstrate a similar willingness to find areas of closer cooperation. For instance, the U.S. Ambassador to Argentina, Anthony Wayne, has met with the current Argentine President on multiple occasions. The previous President (Nestor Kirchner) refused to meet with the U.S. Ambassador.

But the GOA should also consider what more it could do to build upon these developments and gestures from the USG. For starters, it could build public support for this relationship in the U.S. Congress, which helps define public opinion regarding foreign policy matters and most importantly appropriates funding for U.S. foreign policy endeavors. The GOA should consider channeling official criticism of the United States into a more constructive tone and purpose, though Argentine officials often win public support for their strong reactions against alleged USG transgressions. Argentina consistently registers the highest levels of anti-Americanism in Latin America in public opinion polls, which have been fairly steady at around 60 percent.

Nevertheless, from staff's meetings, GOA officials appeared to realize that they need better relations with the United States, but they do not know what they want to get out of the relationship for the medium- and long-terms. Though there are hard feelings on both sides, a clear Argentine posture with policy specifics would also help define expectations for the USG and cement the foundation from which to develop the framework for strong, long-lasting institutional relationships.

It is important to remember that the USG and GOA have worked together successfully in the past and continue to do so today. Below are some important areas of cooperation (see Appendix III for other areas of cooperation between the United States and Argentina):

- The United States and Argentina signed a Bilateral Investment Treaty (BIT) on November 14, 1991, (entered into force October 20, 1994), the first with a Latin American country. The BIT provides important protections to investors and creates a more stable and predictable legal framework for investment. Helping to encourage U.S. investment in the economies of its treaty partners, a BIT with the United States is an important and favorable factor for U.S. investors.
- The United States formally recognized Argentina's strategic importance when on October 16, 1997, President Clinton declared Argentina a "major non-NATO ally" (NATO stands for North Atlantic Treaty Organization). Only 7 other countries and no Latin American nations had been so named (Australia, Egypt, Israel, Japan, Jordan, New Zealand, and South Korea) prior to Argentina.
- The bombing of the Asociacion Mutual Israelita Argentina (AMIA) building in Buenos Aires on July 18, 1994, killed 85

people and injured hundreds. It was Argentina's deadliest bombing, the first foreign terrorist attack in the Western Hemisphere. Argentina is home to a Jewish community of 200,000, the largest in Latin America. Since the bombing, USG has been assisting the GOA in capacity-building in the area of combating terrorism finance and law enforcement, and works closely with the Argentine military on modernization, increasing interoperability, and training and education focused on civilian control, respect for human rights, defense resource management, strategic planning, and science and technology.

- Argentina's forces have served with Brazil in the UN Stabilization Mission in Haiti since April 2004. Argentina plays an important role in this operation, which the USG supports.
- Assistant Secretary of State for Western Hemisphere, Thomas Shannon, was in Argentina (twice in August 2008) to meet with President Fernández de Kirchner regarding the third round of high-level bilateral consultations between the USG and GOA, which highlighted the USG's commitment to work together with Argentina on education, science and technology, human rights, and law enforcement.

The farm crisis seems to have simmered down for the time being, and cannot be resolved with a new U.S. policy for Argentina. However, this event should be regarded by policy makers on both sides as an opportunity to improve understanding between the two countries, help heal some wounds and develop policies to create long lasting institutional, political and shared economic objectives.

In devising policies for Argentina, the USG should be sensitive to charges of interfering in Argentina's internal affairs; also there needs to be understanding regarding historical differences, especially those associated with the role of the USG and its involvement in South America during the Cold War.

Examples of proposals that would be regarded as constructive in the eyes of Argentine policy makers include: offers of assistance in the aftermath of the farm crisis by sending experts from the Chicago Mercantile Exchange (commodities), expediting import processes in the United States Trade Representative (USTR) and other federal agencies, and sharing prospects and forecasts from the United States Department of Agriculture (USDA). This would have been interpreted by the GOA as the USG reaching out to offer constructive assistance during a difficult moment for Argentina.

The USG could encourage Argentina to work with international rating agencies as a way to lower borrowing costs, increase investment, and develop ways to bring the informal economy into the mainstream. Working towards an investment rating would also promote financial transparency and a much needed increase of foreign direct investment.

Such efforts would demonstrate the seriousness of our commitment to advancing our relationship with Argentina. As we move forward, the next U.S administration will have an opportunity to deepen this relationship and should consider additional initiatives that can be done to cement this mutually beneficial association. A good start might involve these three:

Invitation from the next U.S. President to President Cristina Fernández de Kirchner for an official visit to Washington D.C.—During the first 18 months of his term, the next President of the United States should consider inviting President Fernández de Kirchner to an official visit to Washington DC. The visit should include a visit to the U.S. Congress, as well.

The benefits of this for the United States and Argentina could be substantial. First, it would signal the beginning of a new chapter in the relationship and demonstrate a new level of respect between the United States and Argentina. Second, it would demonstrate a sophisticated understanding of Argentina and continuing commitment by the United States to engage constructively with a major Latin American nation, despite its "love-hate" relationship with the United States. Third, this important gesture could refurbish efforts to formulate deeper policy objectives with Argentina.

Enhance and reactivate the U.S.–Argentina Bilateral Investment Treaty (BIT)—The GOA has announced that Argentina will pay its entire $6.7 billion debt to the Paris Club of lending nations, shoring up sagging investor confidence and opening the door to needed new capital as its economy slows.

This ought to be viewed not only as a sign of Argentina's need for investment. The USG would do well to treat this also as an effort by the GOA to reach an accommodation and play by the rules of the international lending system.

In response to GOA reform in the direction of developing a financing strategy, particularly regarding accuracy and confidence with the Argentine statistics bureau, the USG could consider amending the BIT by providing incentives for more plentiful U.S. commercial spending patterns in sectors that speak to Argentina's comparative advantages, such as agribusiness (e.g., production of value-added agricultural equipment and high value-added end-products, such as wine), as well as sectors exploiting Argentina's highly educated and capable workforce (e.g., software and tourism).

This could help produce tangible economic benefits for the United States and Argentina, and demonstrate the U.S. commitment to consultation on policy matters and shared economic prosperity. Along with commensurate Argentine reform, this initiative could help foster economic stability in Argentina.

Promote U.S. state relationships with Argentina—In 1963, President John F. Kennedy launched a program associating U.S. states with countries. On June 12 of this year California Governor Arnold Schwarzenegger and Chilean President Michelle Bachelet signed two memorandums of understanding for collaboration with Chile on energy and education.

Recognizing the need to improve understanding between the U.S and Argentina, we should work to develop the U.S. state–Argentina program of academic exchanges, as well as other sectors of mutual interest such as agriculture and energy (biodiesel from soy, especially).

The benefits of such a measure for both the United States and Argentina are promising. First, such state-country association could offer a bridge toward increased integration in the areas where it would makes sense for the two countries, and help build

support for a process that results in the further integration and in an enhanced economic relationship.

In sum, the next U.S. administration could take several steps to reach out to Argentina and the region, both as an act of goodwill and because of the tangible benefits that both sides could reap from closer collaboration.

The latest farm crisis in Argentina demonstrates that an ostensibly domestic matter can have international consequences. The United States, far from taking sides on the issue, could in the future view a similar predicament as an opportunity to quietly offer technical support and assistance to help bolster stability and trust.

Recognizing that one of the greatest overall challenges the USG faces in Argentina is the high level of anti-Americanism, and that the political dynamic in Latin America is ideologically diverse, the United States should not hesitate to take advantage of opportunities where closer cooperation can lead to greater understanding and prosperity for all involved.

APPENDIX I.—ARGENTINA: AGRICULTURAL SITUATION

USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Voluntary Report - Public distribution

Date: 4/03/2008
GAIN Report Number: AR8013

Argentina

Agricultural Situation

Argentina Imposes Variable Export Taxes; Raises Duty on Major Commodities

2008

Approved by:
David Mergen
U.S. Embassy

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Report Highlights:
On March 12, the GOA modified its agricultural export tax regime by implementing a sliding tax, based on FOB prices. At current world prices, the change significantly increased taxes for soybeans and sunflowerseeds, while corn and wheat were slightly reduced. Differential export taxes were slightly modified, but continue to create incentives to process primary products. This new measure is a sweeping change that de-links producer prices from world prices and will generate many shifting incentives.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[AR]

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Executive Summary

On March 12, the GOA modified its agricultural export tax regime by implementing a sliding tax, based on FOB prices. The new tax scheme will be in place for four years. As a result, under current market conditions, the GOA will collect an additional US$1 billion in revenue (0.4 percent of GDP). The change significantly increased taxes for soybeans and sunflowerseeds, while corn and wheat were slightly reduced. Differential export taxes were slightly modified, but continue to create incentives to process primary products. Producers will be forced to re-evaluate the profitability of continually expanding soybean acreage, and have apparent incentives to increase production of grain crops. However, the overall effect will be a reduction in profitability for producers. In protest of the government intervention, Argentina's four predominant agricultural entities supported a strike by the sector from March 13 to April 2.

Argentina Implements Sliding Export Taxes

On Tuesday, March 11, the GOA closed export registrations for all major grains and oilseeds for a period of two days (later extended to three days), indicating an imminent increase in export taxes for those products. The following day, Wednesday, March 12, the export tax regime was modified by implementing a sliding tax, based on FOB prices for soybeans, sunflowerseed, wheat, and corn. At current prices, the applied tax on soybeans increased from 35 to 44.1 percent, while the tax on sunflowerseed rose from 32 to 39 percent. Corn and wheat taxes were slightly reduced as a result of the action to 24.2 percent (from 25) and 27.1 percent (from 28), respectively. The new tax scheme will be in place for four years. Additionally, the GOA indicated that part of the revenue will be used to subsidize other agricultural sectors, such as meats, dairy, and to encourage increased use of fertilizers.

Resolution 125/2008, defines a formula by which the applied tax rate is determined. The formula utilizes the FOB price of the commodity at the time of registering the export sale, and other variables (pre-determined trigger values established for each commodity), to calculate the applied rate. Table 1 below shows a summary of the effects of the new tax collection scheme.

Table 1. Summary Effects of Sliding Export Tax

Commodity	Average FOB Price Feb.'08 (in USD)	New sliding export tax (Avg. FOB price for Feb.'08)	FOB Price (USD/ton)	Old tax	New tax rate
Soybeans	515	44.1%	0-200	35%	23.5%
			201-300	35%	From 23.5% to 28%
			301-400	35%	From 28% to 36%
			401-500	35%	From 36% to 43%
			501-600	35%	From 43% to 49%
			More than 600	35%	49%
Sunflower	569	39.1%	0-200	32%	23.5%
			201-300	32%	From 23.5% to 25%
			301-400	32%	From 25% to 31%
			401-500	32%	From 31% to 37%
			501-600	32%	From 37% to 45%
			More than 600	32%	45%
Wheat	345	27.1%	0-200	28%	20%
			201-300	28%	From 20% to 24%
			301-400	28%	From 24% to 30%
			401-600	28%	From 30% to 46%
			More than 600	28%	46%
Corn	217	24.2%	0-180	25%	20%
			181-220	25%	From 20% to 25%
			221-260	25%	From 25% to 32%
			261-300	25%	From 32% to 40%
			More than 301	25%	40%

Differential Export Taxes

In addition to changing the export taxes on primary products, the GOA (in the original Resolution) slightly modified the differential export taxes applied to derivative products. Differential taxes were again modified on March 17, 2008, with Resolution 141/2008, which increased the differential for several oilseeds products.

Differential export taxes continue to provide incentives for processing primary products domestically. For example, the differential between the export tax on soybeans and soybean oil and meal increased from 3 to 4 percent (which is a slight benefit to soybean crushers), while the differential between wheat and wheat flour was reduced to 10 percent, from the previous 20, narrowing millers' margins. Table 2 shows the new differential taxes applied to major derived products.

The differential taxes function by subtracting the fixed percentage point differential from the variable tax applied to the raw product. For example, if the variable tax on soybeans is calculated at 45 percent on the day that an exporter registers an export of crude soybean oil, the export tax applied to crude soybean oil will be 41 percent, (i.e., 45 minus 4). Likewise, if the FOB price for soybeans increases the following week, creating a new sliding export tax of 49 percent, the export tax applied to crude oil will then be 45 percent (i.e., 49 minus 4). See the differential for crude oil below from Table 2.

The GOA increased the export tax for biodiesel in a separate Resolution (126/2008) from 5 to 20 percent. By doing so, the margins for biodiesel producers was reduced -- since the differential between the tax on soybean oil and biodiesel was reduced from 29.5 percent to around 22.5 percent (at current prices, the soybean oil export tax is 40 percent). However, producing biodiesel should still be highly profitable (at least for now), although the profit margins will decrease further if soybean oil prices fall.

Table 2: Differential Export Taxes

HS code of processed product (Derived Product)	HS code of primary product (Primary Product)	Differential export tax (%)
1101.00.10 (wheat flour)	1001.90.90 (wheat)	10
1208.10.00 (soybean meal)	1201.00.90 (soybeans)	4
1507.10.00 (crude soy oil)	1201.00.90 (soybeans)	4
1507.90.11 (refined soy oil, in containers <= A 5L)	1201.00.90 (soybeans)	4.5
1507.90.19 (refined soy oil, except in containers <= A 5L)	1201.00.90 (soybeans)	4
1507.90.90 (soy oil NES)	1201.00.90 (soybeans)	4
1512.11.10 (sunflower oil, bulk)	1206.00.90 (1) (sunflowerseeds)	4
1512.19.11 (refined sunflower oil, in containers <= A 5L)	1206.00.90 (1) (sunflowerseeds)	4.5
1512.19.19 (sunflower oil NES)	1206.00.90 (1) (sunflowerseeds)	4
1517.90.10 (2) (mixed refined oils, except hydrogenated, in containers <= A 5L)	1201.00.90 (soybeans)	4.5
1517.90.90 (3)	1201.00.90	4

(mixed oils, except hydrogenated or refined)	(soybeans)	
1901.20.00 (4) Mixes of flour for baking	1001.90.90 (wheat)	10
1901.90.90 (flour NES)	1001.90.90 (wheat)	10
2304.00.10 (soybean flour and pellets)	1201.00.90 (soybeans)	4
2304.00.90 (cakes and solid residuals of soybean oil)	1201.00.90 (soybeans)	4
2306.30.10 (sunflower pellets)	1206.00.90 (1) (sunflowerseeds)	4
2306.30.90 (sunflower residuals NES)	1206.00.90 (1) (sunflowerseeds)	4

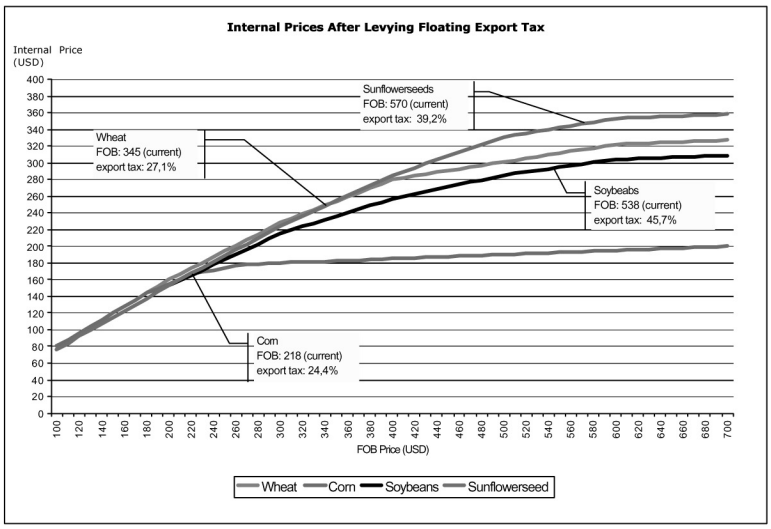
Note:
(1) Excluding sunflower seeds for confectionary use and shelled sunflower seeds
(2) Only mixes that contain soybean oil
(3) Only mixes, food preparations and other products that contain soybean oil
(4) Only preparations of a wheat flour base (excluding pastas in disk form and other solid forms, and preparations for making cakes, biscuits, and similar products in packages that contain less than or equal to1 kilogram) with added ingredients, including salt, in any proportion

Changing Incentives

The GOA has utilized export taxes on agricultural products for a dual purpose: 1) to generate tax revenue; and 2) to put downward pressure on domestic food prices by limiting exports. As soybean production in recent years has grown more rapidly than wheat and corn, the GOA has attempted to increase the incentives for farmers to opt for producing the latter grain crops, thereby relieving price pressure on domestic food products.

The strong increase in export taxes applied to major oilseeds crops, combined with the insignificant decrease for grains crops, creates significant changes to producer incentives. Producers will be forced to re-evaluate the profitability of continually expanding soybean acreage, and have apparent incentives to increase production of grains crops.

Chart 1: Internal Prices After Levying Floating Export Tax



The chart above shows the internal prices that will be received at varying FOB prices under the new scheme. As shown, at current FOB prices, internal prices received for sunflowerseeds and soybeans are nearly at their de facto ceiling price. Only increases in FOB prices for wheat and corn will result in small internal price increases that would be passed to farmers.

At this point, it is difficult to forecast the quantitative effects of the new regime with regard to next year's planting decisions. Despite the apparent incentives to shift production from oilseeds to grains, wheat and corn (corn to an even greater extent) require more expensive inputs than soybeans--fertilizer costs for the 2008/09 season will be significantly higher than this year, complicating farmers' planting decisions (at this point it is unknown what incentives or subsidies the GOA will create to increase fertilizer use). Furthermore, corn and wheat are more susceptible to climatic variations than soybeans, which make grain crops more risky than soybeans. Due to these changing risks, incentives, and profitability created by the new regime, it is likely that there will be an increase in minor crops, such as barley, sorghum, rapeseed, and others, that do not face high export taxes. Much of the shift in crop production will likely take place in the more distant, marginal production zones, while the core agricultural areas will likely continue to produce those crop rotations (particularly wheat and soybeans) that prove most profitable.

Increased Revenue for Fiscal Surplus

Argentina relies heavily on revenue generated through export taxes to generate a fiscal surplus. With the latest change to their export tax regime on agricultural commodities, the GOA will collect, at least, an additional US$1 billion (0.4 percent of GDP). Analysts estimate that this year, given current commodity prices, Argentina's fiscal surplus could reach 4 percent of GDP -- an equivalent of 40 billion pesos (US$12.7 billion).

Agricultural Sector Strike

In protest of the new variable export tax, Argentina's four major agricultural producer entities (Sociedad Rural, CRA, Coninagro and FAA), were on strike from March 13 to April 2 during which no commodities were sold.

APPENDIX II.—DISCUSSIONS WITH INDIVIDUALS IN ARGENTINA

ARGENTINE GOVERNMENT OFFICIALS (EXECUTIVE AND LEGISLATIVE BRANCH OFFICIALS AND ARGENTINE CENTRAL BANK)

Executive Branch

Secretary of Political Economy, Dr. Martin Abeles, and Secretary of Finance, Mr. Hernan Lorenzino

Ministry of Labor Cabinet Chief, Dr. Norberto Caravan

Legal and Technical Secretary Dr. Carlos Zanini, Office of the President

International Economic Negotiations, Ambassador Nestor Stancanelli

Martin Redrado, Argentine Central Bank President

Legislative Branch

Senator Jose V. Pampuro (Senate President Pro Tempore)

Senator Miguel Angel Pichetto (Rio Negro)

Silvia Lemos—Vice President, UCR

Luis Galvalisi—PRO

Federico Pinedo—PRO

Patricia Bullrich—Coaliciθn Cϕvica

Professional Staffer Mariano Gervan in 'Interbloque Federal'

Senator Maria Eugenia Estenssoro (Civic Coalition)

Manuel Baladron (FPV)

Juan Carlos Marino—UCR La Pampa

Daniel Persico—FPV San Luis

Ernesto Ricardo Sanz—UCR Mendoza

PROVINCES (GOVERNORS)

Marios Das Neves, Chubut, PJ

Gerardo Zamora, Santiago del Estero, UCR

ARGENTINE AGRICULTURAL ORGANIZATIONS

Nicolas Bossio, Federacion Agraria (FAA)

ARGENTINE POLITICAL ANALYSTS AND LEADING OP-ED COLUMNISTS

Sergio Berensztein—Poliarquia

Jorge Elias—La Nacion

Javier Kulesz—UBS Trading (Union de Bancos Suizos)

Carlos Escude—CEMA (Centro de Estudios Macroeconomicos)

Silvia Naishtat—Clarin

Graciela Coatz-Romer Gil of Public Opinion and Communication Consultants

UNITED STATES DEPARTMENT OF STATE,
U.S. EMBASSY BUENOS AIRES, ARGENTINA

Anthony Wayne, U.S. Ambassador to Argentina (AMB/DCM/POL/ECON/FCS/FAS)

MULTILATERAL ORGANIZATIONS

Pedro Alba World Bank World Bank Director for Argentina, Chile, Paraguay, and Uruguay

APPENDIX III.—OTHER AREAS OF COOPERATION BETWEEN THE UNITED STATES AND ARGENTINA

International Crime and Drugs: Argentina is a trans-shipment point for narcotics emanating largely from Colombia, Peru, and Bolivia. Argentine law enforcement agencies cooperate closely with their USG counterparts on drug interdiction efforts, fugitive arrests and informationsharing, this has resulted in increased enforcement.

This U.S. Embassy in Argentina is working with the GOA on institutional capacity-building and expanding training opportunities for law enforcement officials, prosecutors and judges in order to improve internal security and decrease international drug and criminal activity in Argentina.

In the area of anti-money laundering and counter-terrorism finance, the U.S. Embassy in Argentina is working through diplomatic channels and via bilateral technical assistance and training programs to encourage Argentine law enforcement and regulatory bodies to enforce existing laws and regulations more aggressively.

Democracy and Rule of Law: The U.S. Embassy in Buenos Aires works with the GOA, media and civil society to strengthen democratic institutions, fight corruption and reinforce civilian control of the military. The USG promotes key reform efforts such as ending the election of representatives by party slate lists, increasing governmental transparency, and limiting public corruption and strengthening the political independence of the judicial branch.

The USG works with the GOA as a cooperative partner in multilateral fora and seek Argentina's cooperation in the defense of democracy and the observance of human rights in countries like Cuba, Venezuela, and Bolivia, as well as UN peacekeeping in Haiti. Argentina recently obtained a seat on the UN Human Rights Council.

Human Trafficking: Argentina is on the USG's Tier-2 Watchlist for lack of progress in providing greater assistance to victims and curbing official complicity in trafficking at the provincial level. Argentina is a source, transit, and destination country for men, women, and children trafficked for the purposes of commercial sexual exploitation and forced labor. According to the International Organization for Migration, 80% of trafficking victims in Argentina are Argentine, most of whom are trafficked for the purpose of sexual exploitation. Bolivians and Peruvians are trafficked into the country for forced labor in sweatshops and agriculture. Argentine efforts to combat trafficking have focused on prevention and training of security and government officials. The U.S Embassy in Argentina has worked with NGOs, lawmakers, and government officials in an effort to encourage comprehensive anti-trafficking legislation, which was passed in April 2008. The U.S Embassy is working with the GOA to strengthen their law enforcement and judicial capacity to investigate and prosecute these crimes.

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