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EMBASSY OF ARGENTINA, WASHINGTON, D.C.

ARGENTINA IN FOCUS

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SHARING CHALLENGES AND OPPORTUNITIES

As we continue to prioritize the health of our community, world events, international meetings, and embassy activities remain virtual. As part of this effort, I am launching this newsletter that the Embassy of Argentina will distribute regularly to keep you updated with news and events from the Southernmost part of our hemisphere.

It is important to highlight in this first message that I came to Washington D.C. with a special mission from President Alberto Fernández: to bring the excellent cooperation we already enjoy between our two countries to a higher level. This means working hand in hand with the US administration to strengthen our bilateral relations, mutual trust, and cooperation on multilateral forums, including the G20, in pursuit of a better future for our people.

I am confident that we will continue to work in that direction, as evidenced in the meetings in which I have participated since arriving in February that have been both positive and encouraging. THE UNITED STATES AND ARGENTINA SHOULD WORK TOGETHER HAND IN HAND TO TAKE THE BILATERAL RELATION TO THE HIGHEST LEVEL OF TRUST AND COOPERATION When I met President Trump to present my credentials as Ambassador, he was clear that the United States and Argentina should work together to tackle the challenges of the 21st century. That partnership is important. Looking ahead, we share challenges and opportunities during this time of rapid change in the world.

I have also met with several top US officials from the White House, State Department, USTR, Treasury and Exim Bank, and with several Congressmen. All of them graciously agreed on their support to continue deepening our bilateral cooperation and strengthening our close friendship across our societies, economies, businesses, and people.

We are committed to expanding our bonds in trade, entrepreneurship, education, science and technology, human rights, energy cooperation and investments. There are plenty of opportunities to be further explored and developed.

Of course, the challenge posed by the COVID 19 pandemic crisis will force us to make additional efforts to reestablish growth in the Argentine economy. It also challenges us to increase our bilateral cooperation in different fields, knowing that is the only way to speed up a recovery of growth in our economies and the wellbeing of our people. Strengthening our bilateral trade and investment will be a crucial element on this path, and a fundamental part of my work from the Embassy.

Thank you very much and I hope you enjoy this first issue

Mr. Jorge Argüello Ambassador of Argentina to the United States

PRESIDENT FERNÁNDEZ'S CALL FOR GLOBAL SOLIDARITY

On March 26, 2020, President Fernández attended a virtual G20 Extraordinary Summit convened by King Salman Bin Abdulaziz Al Saud of Saudi Arabia to address ways in which countries can cooperate to fight the COVID-19 pandemic, safeguard the global economy, address international trade disruptions, and enhance global cooperation.

During the virtual summit, President Alberto Fernández said "Like never before, our human condition demands solidarity" and urged the Leaders "to act right now, here and now, because it has become obvious that no one can save themselves on their own". The COVID-19 pandemic is a wake-up call for international cooperation. All countries are affected. We must remain united in our shared humanity. The fight against this global pandemic, which is taking so many lives and challenging our societies, requires improved international cooperation and solidarity.

The COVID-19 pandemic is a global problem that demands a global solution.

Concerns today are rooted in two interrelated issues: how to protect global public health in this emergency and how to promote inclusive economic recovery.



On the first issue, President Fernández proposed creating a "Humanitarian Emergency Fund" that would better equip governments with supplies to address the current pandemic.

As governments, our primary responsibility is to our people. But no country will be completely safe until all of us control the pandemic and eradicate it.

For that reason, research on COVID-19 should also be a global public good. Medical and scientific knowledge should be made universally available at affordable prices.

With respect to the second issue, President Fernández proposed that global crises should be managed with a multilateral strategies. Overcoming this crisis and facing this emerging world, he said, requires that we design and adhere to a great Global Solidarity Pact.

The G20 is now working to implement an action plan for addressing both the COVID-19 pandemic and the resulting economic crisis. While today's challenge is greater than after the 2008 global financial crisis, we have learned from past disasters that solidarity is the only solution. Statement delivered by the President of Argentina, H.E. Alberto Fernández, at the Extraordinary G20 Leaders' Summit (COVID-19. March 26th).

"We come together at a unique time in history that demand that we act with courage.

We should not feel paralysis or fear. Least of all should we resign ourselves.

Our duty is to offer a creative response at this juncture that we are facing.

There is no time for demagogy or for improvisation. We face the dilemma of safeguarding the economy or the health of our people. We do not hesitate to fully protect the lives of our people.

With that conviction, we have made decisions in Argentina on the basis of the best scientific evidence available. We will continue to do so.

I would like everyone to share our view. I am convinced that we will not act effectively unless we accept that the world has changed forever.

Being able to overcome this crisis and facing this world that is emerging requires that we design and adhere to a great Global Solidarity Pact.

Nothing will be the same after this tragedy. We need to act right now, here and now, because it has become obvious that no one can save themselves on their own. The urgency imposed by the deaths requires that we create a Global Humanitarian Emergency Fund that will allow us to be better equipped with supplies to deal with the current context.

Research on COVID19 should also be a global public good. Medical and scientific knowledge should be made universally available at affordable prices.

The time of the greedy has come to an end. As Pope Francis teaches, we need to let the scales fall off our eyes and hearts in order to act with a new sensibility.

These decisions cannot be made to depend on market logic or on how wealthy or affluent individuals or nations are. It is time to take advantage of this unique moment to create economic solutions as extraordinary as extraordinary the social problems we are experiencing.

I welcome the fact that the IMF and World Bank can see the end of the present. I welcome that they recognise the unsustainability of the debt burden that our countries, the most relegated ones, must bear.

We need to rebuild global coexistence on the basis of solidarity. To challenge this present with the same courage that the G20 had when it dealt with the damage caused by tax havens, voracious debt levels and the concentration of wealth.

The key to the future lies in the design of policies that safeguard jobs, production and the best living conditions by using all economic instruments to provide global liquidity.

Like never before, our human condition demands solidarity. We cannot remain passive in the face of sanctions involving economic embargoes that only stifle people in the middle of this humanitarian crisis.

With no messianism or arrogance, we must embark on an era of global dialogue that makes room for all.

That is how mankind will overcome this pandemic. But it will also put an end to the vice of social exclusion, environmental depredation and the greed of speculation.

Thank you".

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A COMMON SENSE APPROACH TO RESOLVING ARGENTINA'S DEBT CRISIS by Martín Guzmán, Minister of Economy of Argentina

Before the pandemic now ravaging the world, the people of Argentina were already suffering in an marked bv recession, economv high unemployment, rampant inflation and dramatic poverty levels, while measures of fiscal austerity were unable to correct the imbalances in government finances. Now, in a matter of days, COVID-19 has also devastated our economic activity, exports and fiscal revenues, and, as with everywhere else in the world, forced the adoption of emergency measures of assistance to minimally sustain the livelihood of the masssive number of people out of work and avoid a total collapse of the productive system.

It is in these difficult conditions that we are negotiating with international creditors over \$66 billion of public debt. Solving Argentina's debt crisis in these unprecedented circumstances requires common sense, collaboration and fresh ideas that are in the best interests of both our creditors and the nation of Argentina.

Argentina has suffered a long history of booms and busts and failed economic reform. The nation has defaulted on its debt eight times, suffered hyperinflation twice, and gone through multiple balance of payments crises as well as 20 IMFsupported economic programmes in 60 years.

OUR GOVERNMENT ASPIRES TO SUSTAINABILITY AND, ULTIMATELY, TO HOLD UPRIGHT

That history makes the guiding principle on which we have built the restructuring process of essence: to propose, in good faith, a redrawing of the country's commitments to create long-term sustainability for Argentina, under which we can and will meet the promises we make to our creditors.

At the same time, it is in the best interests of our creditors to avoid repeating the bygone destructive patterns of impossible promises and repeated crises. We can no longer build our economic models on illusions. We—Argentina and its creditors—must build on facts and decide with prudence. In this new Covid World, we cannot spend 20% of government revenues on payments to our creditors which is what some of our creditors are effectively asking for. It is simply impossible.

These are enormously trying for times international bondholders. Argentina is a pivotal preview of what's to come for struggling debtor nations across the globe. But bondholders have a choice: either recognize the historic challenges before all of us and seek new ways forward, or simply insist on stubbornly imposing short-sighted repayment terms that may appear to provide a quick return, but in reality will only further degrade the economic conditions of the debtors and undermine their repayment Unsustainable demands abilities breed unsustainable outcomes and renew the cycle of unlikely promises and eventual breakdowns.

And let's be clear here: this isn't a game of preadsheets. What is at stake is the economic fate of Argentina's 45 million citizens—human beings who have already suffered a painful deterioration in their living standards. With more than 35% of our overall population and 52% of our children in poverty, no democratic government could be expected to impose still more hardship on its people. No democratically elected government should be asked to put the bond holders ahead of economic policies designed to palliate the catastrophic effects of a pandemic.

Generations of governments had presumed quick economic turnarounds to please impatient nvestors, but that has almost never happened. This time, however, can be different, because we have made an unwavering commitment to working our way out of this crisis by being honest with both ourselves and our creditors.

The repayment scenarios that we have onstructed called for a breathing space to allow a recovery and buildup of our income-generation ossibilities. While it remains unclear how the medium to longterm projections will be affected by the pandemic, we have assumed a real growth in line with the country's historical record and with a realistic estimate of exports growth: seemingly modest figures perhaps, but quite ambitious if the result was to establish a trend of persistent economic improvement, that would also allow the public sector to maintain primary surpluses to service the obligations defined in the debt proposal. The sustainable offer that we have made to our creditors includes a three-year grace period, a 5.5% reduction on the bonds' principal, and 62% reduction of interest payments—leaving creditors with an average coupon of 2.3% rather than the current average coupon of almost 7%, which is not low considering the current interest rate environment. We are, in short, not asking our creditors to lose—but to make less.

Forcing further doses of austerity to pay more whether in the form of increased taxes or cutbacks in necessary expenditures—will not only be disastrous for our already frail economy, but will be politically and morally unacceptable—and ultimately unsustainable.

What sustainability means is to have a debt that is both affordable—that can be serviced within realistic estimates of our economy's potential and under control. In Argentina, in contrast, interest payments have surged to nearly 20% of federal government revenue—and continue to rise. And even before the Covid-19 shock, our debt trajectory was out of control, as a result of devaluation, high interest rates and low growth. Unaffordable debts on explosive paths cannot be paid, in Argentina or anywhere else.

To solve this crisis, both sides need to make a good faith effort. For our part, we will try to drive economic growth, while pledging to manage public finances to generate a primary balance. For their part, international investors would earn an interest rate that is higher than what they can find at home, yet still consistent with Argentina's growth prospects. Some of our creditors have implausibly begun advancing proposals demanding significantly more from Argentine than what we have offered and that we believe is feasible and sustainable. We have, however, not only relied on our own judgments, but those of other experts, and most significantly, that of the IMF, to whom we owe substantial sums of money.

What some of our creditors are demanding is inconsistent with what the IMF defines itself as sustainable. Given the depth of the current crisis and the uncertainties that it has generated, I must be explicitly clear: we cannot afford to pay more. Our estimates and that of the IMF on what is sustainable were formulated before the pandemic. Any serious, realistic revision of those estimates must, accordingly, be downward. In this sense, we are already proposing to ourselves a substantially stronger repayment-generating effort than some weeks ago.

Some voices have even suggested that we be more conservative, less optimistic about prospects, and, given the new circumstances, ask our creditors for a deal entailing larger haircuts, lower interest rates, longer grace periods, and longer maturities. But as a sign of our commitment to our deal, we have stood by our proposal. The time is now for an agreement. With our economy now in the doldrums, who could reasonably expect to get a better deal in a few months, or even a few years? Continued uncertainty is not good, for either the Argentinean people or for our creditors.

This debt restructuring negotiation takes place in dramatic times, and social distancing has made interactions more virtual and complicated. Everyone needs to rise to the challenge, and settle for a deal that will withstand the shocks of the coming months and years.

The Latin origin of the word sustainable – sustinere – has many meanings, and they are to what our government aspires: To bear, to endure. And yes, ultimately, to hold upright.

Martín Guzmán is Argentina's Minister of Economy. This is an extended version of the OpEd published by the Financial Times on May 3rd 2020, titled "Argentina cannot afford to pay creditors more".

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