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ARGENTINA IN FOCUS

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I have the pleasure to share with you a special number of our Newsletter with the contributions of Mr. Jorge Taiana, Chairman of the Foreign Relations Committee of the Senate and former Minister of Foreign Affairs and Mr Julio Cobos, Vice-chairman of that Committee and Vice President of Argentina between 2007 and 2011. Both address the issue of Argentina's foreign debt and its current negotiation processes and show a convergence across the aisle in support of President Alberto Fernández strategy.

This number also includes an article by Mr. Gustavo Béliz, Secretary of Strategic Affairs of the Presidency, who highlights the key role that the "Growth in the Americas" program, launched by President Trump in December 2019, is called to play in achieving a sustainable economic development in Latin America.

Finally, you will find an example of the G20's work in promoting trade and investment as engines of inclusive economic growth.

Jorge Argüello
Ambassador to the United States

ARGENTINE DEBT: CONVERGENCE ACROSS THE AISLE

Jorge Taiana (PJ) - Chairman of the Committee on Foreign Relations of the Senate. Minister of Foreign Affairs, International Trade and Worship of the Argentine Republic (2005-2010)

In a world in which the Coronavirus pandemic has devastated the lives of hundreds of thousands of human beings and plunged the world into a deep economic recession of scope and duration yet unknown, the Argentine Republic is simultaneously facing a severe economic and financial crisis involving the external bond market of major financial centers and multilateral credit organizations.

The roots of the recurrent economy crises in Argentina have been a subject of debate and diverse interpretations of the economic policies that led to such outcomes. However, the crisis unleashed when private external financing was closed in early 2018, as well as an unprecedented loan of \$57 billion from the IMF, are clearly the origin of Argentina's current insolvency.

When faced with economic difficulties, the previous government irresponsibly embarked on a cycle of indebtedness and financing of external assets -typically known as capital flight- that exponentially raised external indebtedness, brought the internal interest rate to over 80% per year and facilitated an exchange-finance business that ruined the country and only benefited certain speculators.



Jorge Taiana (PJ) (Chairman) and Julio Cobos (UCR) (Vice-Chairman) of the Committee on Foreign Relations of the Senate

Argentina's serious economic and financial situation has been widely recognized by several experts, specialized media, and rating agencies. Before the COVID-19 crisis, the World Bank estimated that urban poverty in Argentina was 35.5% and child poverty 52.3%. And last February, the IMF concluded that Argentina's public debt was "unsustainable." Its Managing Director, Kristalina Georgieva, has repeatedly made reference to this organization's support and the fact that it is in everyone's interest that Argentina attains debt sustainability.

In his address during the Opening Session of Congress on March 1 of this year, the President of Argentina, Alberto Fernández, declared that when faced with the serious economic and social crisis the country was undergoing, the new government had made two very straightforward decisions:

The first reflects a critical awareness of Argentina's past: **never again** will we resort to external indebtedness to finance financial speculation.

Second, **we will not commit to paying what we are unable to pay.**

Argentina and the world are experiencing what some experts describe as the worst global recession in modern times, while at the same time it is essential that States increase spending to strengthen health systems, provide support to the most vulnerable sectors, as well as to the small and medium-sized companies and productive sectors impacted by the crisis.

It was in this context that Argentina presented a responsible debt restructuring offer that reflects the country's ability to pay. This proposal is in line with the IMF's technical analysis, which indicated that a substantial debt haircut by Argentina's private creditors will be required to ensure debt sustainability. Over time, only an economy that grows sustainably can meet its financial commitments.

The Argentine Republic neither seeks nor wishes to default on its external payments. It proposes that a commitment and efforts be made by everyone in order to reach an agreement with creditors that takes into account the current international and Argentine situations and guarantees an increasing well-being for our population and the sustainability of the country's external commitments.

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Julio Cobos (UCR) - Vice-chairman of the Committee of Foreign Relations of the Senate. Vice-President of Argentina (2007-2011)

Argentina is in the process of negotiating its debt with a diverse group of creditors. Within this framework, we need to insert ourselves into a virtuous circle of stability, growth, and development, one that allows us to enhance economic variables and fulfill our obligations in a timely manner. International financial markets are extremely interested in the renegotiation that is taking place, and there are indeed high expectations for the success of this process. Sustainability, reliability and predictability; these are vital criteria when reconsidering Argentina's debt.

We are firmly committed to honoring our obligations and reconciling them with the current reality we live in, so that we can support our country's sustained and lasting growth.

In fact, an almost unprecedented world phenomenon has had an impact on Argentina's economic system: the COVID-19 pandemic, which has slowed down the global economy and deepened pre-existing problems in many countries worldwide. It is impossible to separate the negotiation process with creditors from this new scenario, because this context conditions countries' growth and payment capacity.

Argentina's public debt is a key element of our economy, both regarding the relationship between the Argentine State and its creditors, as well as the need to count on new sources of financing in the future.

The Argentine State is searching for a realistic solution through a sincere dialogue and in good faith. The overarching goal is to honor commitments and there exists a firm consensus among different political parties to support the negotiations underway to refinance our public debt. In our National Congress, this majority's support was expressed in a recently passed law.

. THE OVERARCHING GOAL IS TO HONOR COMMITMENTS, AND THERE IS A FIRM CONSENSUS AMONG THE DIFFERENT POLITICAL PARTIES TO SUPPORT THE NEGOTIATIONS

The world should know that we wish to find a sustainable way out that allows us to grow, while complying, and generating benefits for our society. Likewise, we seek to rebuild trust and implement public policies that are not based on indebtedness, monetary issuance or renewing public debt. Although this is not an easy task, it is feasible.

We have a big challenge before us and requires that several actions be put in place. We proposed a prudent grace period for paying interests, in order to generate effective economic policies, restore domestic credit, create genuine and high-quality private employment, restore the dynamism of the private sector, restart the production process, tap the potential of our natural resources, export quality products -like our wines- on a mass scale, and restore the upward social mobility that characterized us in the past.

Besides guaranteeing the collection of securities and bonds to creditors, the success of this negotiation will imply a lower cost for financing public and private activity in our country, less monetary issue, growth of foreign trade, revaluation of the value of local assets and, ultimately, an improvement of the post-pandemic economy.

Argentina needs time to build up a reasonable economy; we request a prudent deadline to do so and it is up to our negotiators and creditors to reach an agreement for the well-being and the prosperity for people everywhere. We fully trust this will happen. ■





Gustavo Beliz, Secretary of Strategic Affairs of the Argentine Republic.

GROWTH IN THE AMERICAS: A STEPSTONE FOR THE ECONOMIC RECOVERY OF THE AMERICAS

by Gustavo Beliz, Secretary of Strategic Affairs of the Argentine Republic.

The world is facing an unprecedented health and economic crisis of uncertain magnitude and duration. This is clearly a global issue that requires deepening global coordination and cooperation. To face the aftermath of this pandemic and the reconstruction of our economies we should be bolder in our actions. All countries and international financial institutions must stand together and act resolutely.

We have the chance to rethink the world's economy through the development of new solidarity dynamics.

In December 2019, the Government of the United States launched the initiative, known as "América Crece / Growth in the Americas" to grant a new, and strong support to private sector investment projects in the Latin America in order to drive future sustainable economic growth. Almost simultaneously, President Alberto Fernandez took office in Argentina with the clear mandate to recreate social and economic conditions for a new era of prosperity in an economy battered by years of stagnation. The Initiative launched at that time, was identified as a priority by the newly appointed President, as it is today.

The Initiative was back then groundbreaking regarding its bold support for infrastructure projects in the Region. Today in the light of the needs of a post pandemic recovery, “America Crece” is called to be a stepstone in the restart of the regional post-pandemic economy.

Over the last five years, from my previous position at the Inter-American Development Bank I had the chance to monitor closely the social and economic agenda in Latin America, and to focus on the much-needed investment in social infrastructure throughout the Region.

The pandemic, while affecting the globe as a whole, it is having a particular toll on Emerging Markets in Latin America, especially given the stall in global trade, access to finance, reversal in capital flows and increasing debt vulnerabilities. This shock cannot be merely faced with standard stimulus measures by international financial institutions.

More needs to be done. The World Bank Group and the Inter-American Development Bank, clue to regional development, are called to ensure adequate support to our countries to deal with this sudden economic downturn by developing an entire toolkit of economic policies to provide global liquidity, promoting funds to mitigate the effects of the pandemic and its impact on the global economy by creating an reinforced environment for a strong recovery as the pandemic abates.

*THE UNITED STATES, THROUGH
THE INITIATIVE “GROWTH IN THE
AMERICAS” POSITIONS ITSELF
ONCE AGAIN AS A PROACTIVE
PARTNER FOR THE
DEVELOPMENT OF LATIN
AMERICA*

Rebuilding our economic structure and recreating the best possible conditions to assure a sustainable economic growth are at the top of every government agenda and in this critical scenario, the initiative “Growth in the Americas – América Crece” has the potential to play a key role in the reconstruction of our Region in a Post Pandemic Era.

The Initiative acknowledges and tackles the shortfall in infrastructure investment in our countries and its direct link to sustainable growth and comes in a timely manner to show the type of response needed to assist effectively developing countries in their efforts to support national private sectors by fueling investment in a various array of projects including energy, information technologies, telecommunications and infrastructure.

The impact of the Initiative in countries such as Argentina, alongside with that of the Development Fund Corporation (DFC), will transform available investment tools and decisively promote job creation and economic growth through projects with decisive social and environmental impact at the precise time in which we will have to cope with the full impact of the pandemic’s consequences on our economies.

Argentina acknowledges the huge potential of “Growth in the Americas” for the diversification of its productive structure in the post-container era and in the further development of a prosperity based on new technologies, artificial intelligence, energy security and new infrastructure.

Poverty reduction and rebuilding trust will require international solidarity and substantial resources. The United States, through the initiative “Growth in the Americas” positions itself once again as a proactive partner for the development of Latin America, while contributing to reshape our productive network through high quality investments in key industries such as new technologies and artificial intelligence, alongside the much needed infrastructure and energy projects that would contribute most decisively to address global threats. ■

COLLECTIVE ACTIONS TO SUPPORT GLOBAL TRADE AND INVESTMENT

Trade and investment are important engines of inclusive economic growth, development and poverty eradication. For Argentina, they are critical means to integrate into global value chains, create employment and increase the competitiveness of our economy in an interconnected and interdependent world.

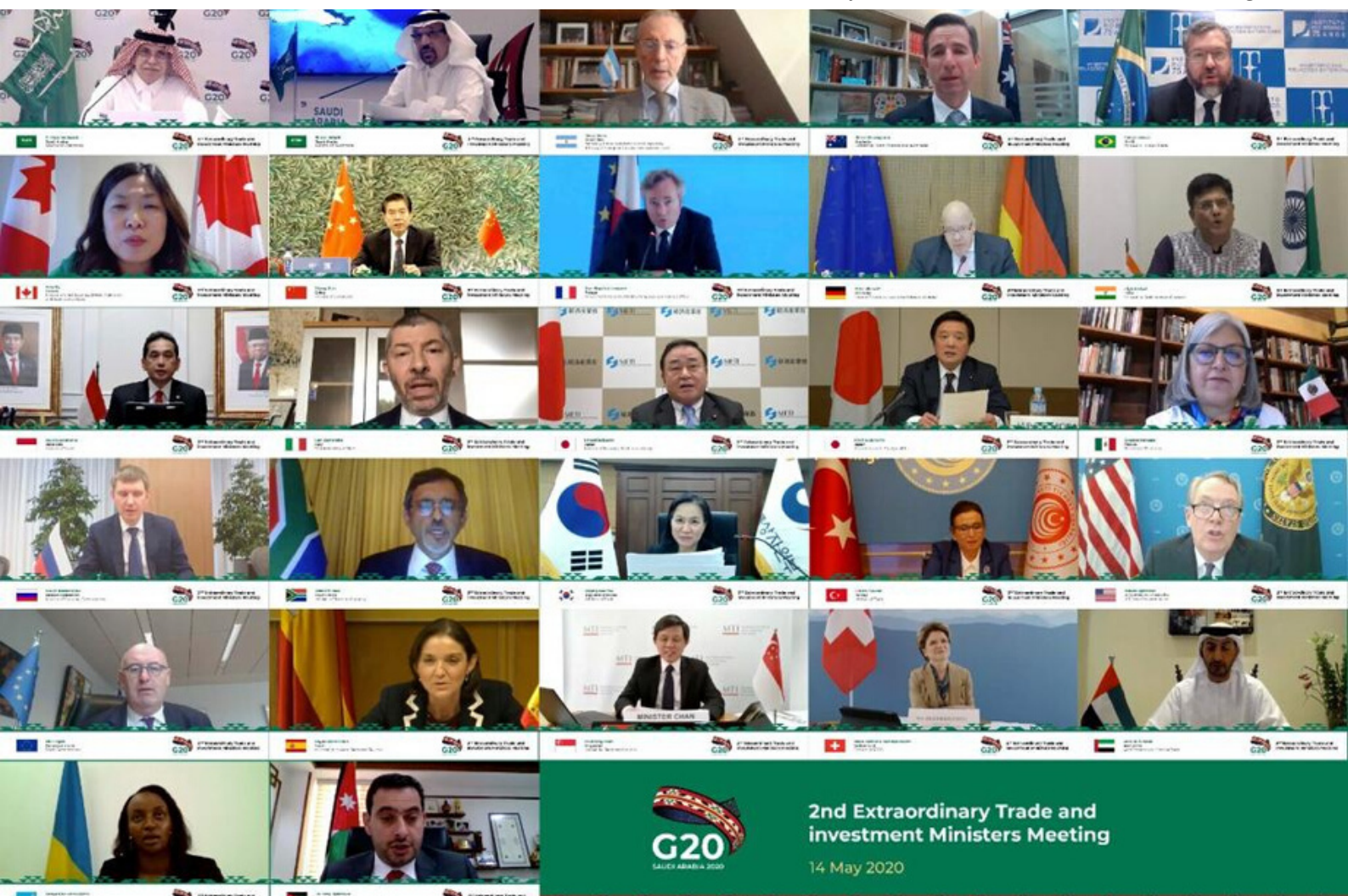
The emergence of COVID-19 has created an unprecedented situation that is strongly impacting not only people's lives, jobs, and income, but also trade and investment flows. This is why our country has launched a holistic response that allows comprehensively addressing the multiple challenges never seen before of COVID-19 to health, the economy, employment, and trade.

We believe that, as Governments, we have the primary responsibility to act in favor of the most vulnerable and to ensure the continuation of trade flows.

No country is immune. The economic crisis caused by the COVID-19 pandemic is expected to be deeper than that of 2008-2009, given that the health situation affects both supply (production, distribution and trade) of goods and services, as well as the demand (consumption) of the world economy.

The challenges for trade and investment are immense. In accordance to the World Trade Organization (WTO) latest figures, global trade will decrease between 13 and 32% in 2020 as a result of the pandemic.

G20- 2nd Extraordinary Trade and investment Ministers Meeting



According to the United Nations Conference on Trade and Development (UNCTAD), COVID-19 will cause a sharp decline in foreign direct investment of 30 to 40% in 2020-2021. A strong global recession is also expected, with consequent negative effects on global value chains, particularly affecting micro, small and medium-sized enterprises (MSMEs) and the most vulnerable sectors.

In this scenario, international cooperation is decisive in mitigating the impacts of the pandemic on trade and investment. Global problems require global solutions. Only by working collectively can the common enemy of COVID-19 be defeated and inclusive, strong and sustainable growth achieved, without leaving anyone behind, in line with the United Nations' 2030 Agenda.

INTERNATIONAL COOPERATION IS DECISIVE IN MITIGATING THE IMPACTS OF THE PANDEMIC ON TRADE AND INVESTMENT

As the main forum for global economic coordination, the G20 has a central role to respond to the current crisis, just as it did in 2008, including in the area of trade and investment.

The joint actions agreed by the G20 Trade Ministers on May 14, under the leadership of the Saudi Presidency, constitute an important step to maintain trade and investment flows and to lay the foundations for a solid and balanced economic recovery.

The document "G20 Actions to Support World Trade and Investment in Response to COVID-19", adopted by consensus by all the G20 Members, contains a package of short and long-term measures to strengthen global supply chains and investments. The Argentine Delegation, led by the Secretary of International Economic Relations, Ambassador Jorge Neme, welcomed the G20 collective measures to alleviate the impacts on trade and investment of COVID-19, as today, more than ever, promoting rapid and effective international cooperation is considered essential.

It is about putting into action the commitment made by the G20 Leaders on March 26 to work to ensure the flow of vital medical supplies, critical agricultural products, and other essential goods and services, as well as to minimize trade disruptions. To this end, Leaders mandated the G20 Trade Ministers to assess the impact of the pandemic on global trade.

At their First Extraordinary Meeting on COVID-19, held on March 30, the Trade Ministers reaffirmed the importance of adopting measures to facilitate trade in essential goods, guarantee the continued operation of logistics networks, and contribute to the movement of health personnel across borders. They also requested the G20 Trade and Investment Working Group to identify actions to alleviate the multi-faceted impact of the pandemic, as well as to support the multilateral trading system and the economic recovery post-COVID.

Some of the collective measures agreed by the G20 Ministers, which resulted from the previous debates of the Working Group, are the following:

- ensure that any emergency trade measures to tackle COVID-19 are targeted, proportionate, transparent, temporary, reflect the interest in protecting the most vulnerable, do not create unnecessary barriers to trade and are consistent with World Trade Organization (WTO) rules.
- refrain from introducing export restrictions on agricultural products, including on products purchased for humanitarian purposes, and avoiding unnecessary food-stockpiling, without prejudice to food security and in line with national requirements.
- accelerate the implementation of the WTO Trade Facilitation Agreement, including through the streamlining of customs procedures.
- increase transparency, including through the notification to the WTO of any trade-related measure to combat COVID-19.
- strengthen the multilateral trading system in order to provide predictability to trade flows and promote the necessary reform of the WTO.
- explore COVID-19 related WTO initiatives to promote open and resilient supply chains, and to expand productive capacity and trade in the areas of pharmaceutical, medical and other health-related products; and
- share best practices, including to promote the production and trade of essential goods and services, as well as to improve connectivity, while encouraging investments related to essential products.

Argentina is committed to putting into concrete deeds these measures, and as such, it continues to provide the world with its quality agro-food products, effectively adapting its industry to the new reality, applying strict sanitary protocols and supporting the logistics of agro-food networks. Our country has also adopted in a transparent manner emergency measures to guarantee the provision of essential medical products, such as the temporary suspension of trade remedies, elimination of tariffs and taxes on products related to COVID-19.

At the same time, the support to MSMEs and to the most affected sectors, including workers and lower-income segments, is at the core of our national strategy. A rules-based multilateral trading system is also critical to guarantee the stability of trade relations, while we need to make progress in the WTO reform, as supported for the first time in the G20 Buenos Aires Leaders' Declaration in 2018.

Today the world needs the spirit of collaboration that has accompanied the G20 since its origins. Now is the time to act in solidarity, which will allow us to emerge stronger from this crisis, including in terms of trade and investment, and to achieve sustainable development for present and future generations. ■

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