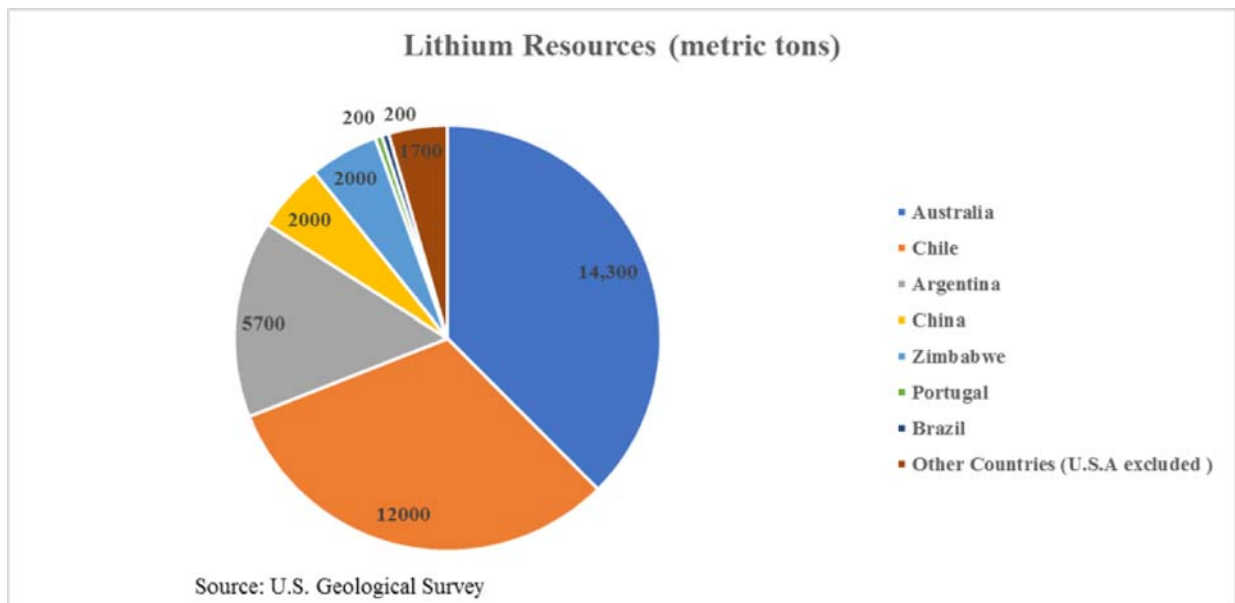


WEEKLY ASADO

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Latin American Program
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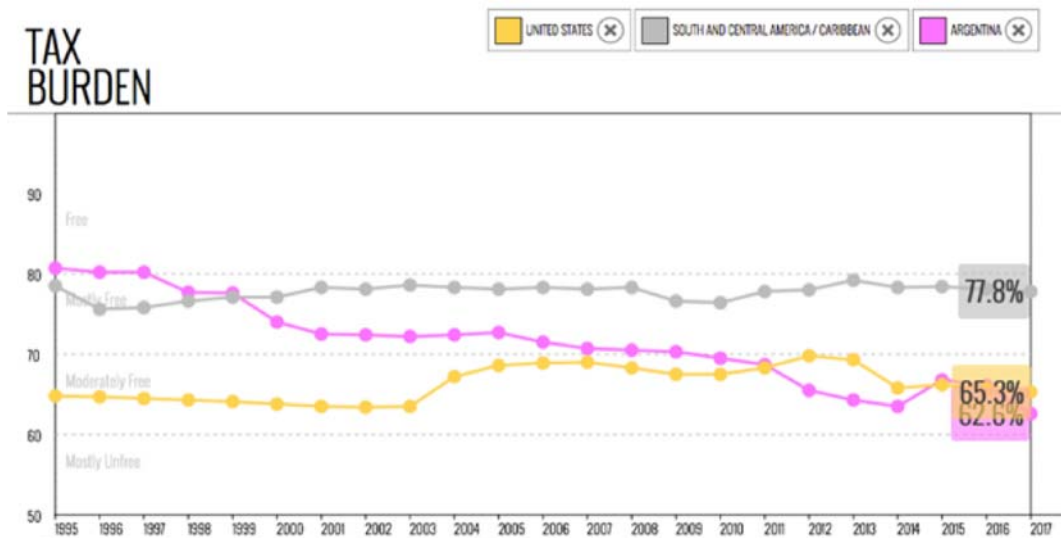
'White petroleum': Argentina doubles down on lithium



Argentine President Mauricio Macri has long expressed jealousy about the mining industry in Chile, the [global leader](#) in copper production. Argentina's mining sector is far smaller, though the countries share "*las mismas riquezas a través de las mismas montañas*," as Mr. Macri regularly laments. [In June](#), he called mining a "*gigantesca oportunidad*" for the Argentine economy. In the rapidly growing lithium sector, Argentina is at least getting in the game. Since Mr. Macri took office in December 2015, Argentina has attracted more investment than either Chile or Bolivia, its neighbors in the "lithium triangle," [Reuters](#) reported Monday. The government expects \$20 billion in foreign investment in mining projects through 2025, Argentina's mining secretary, Daniel Meilan, [told Bloomberg](#) in March. A significant amount of that investment will be in lithium projects, and much of it will materialize well

before 2025, Diego Temperley, of the Australian-Argentine Chamber of Commerce and Industry, tells me. SQM, Lithium Americas, FMC, Enirgi, Orocobre, Albermarle, Eramet and many others have already made serious commitments, he explains. The timing is good; with demand rising for electric cars – and their rechargeable, lithium batteries – the price of “white petroleum” shot up by 30 percent, to \$12,000 a ton, this year. Several automakers have announced plans to phase out production of cars with internal combustion engines. Argentina has greater lithium resources (9 million tons) than Chile (7.5 million tons), but its proved reserves and production are still [far below](#) the levels in Chile, according to the U.S. Geological Survey. That said, once a few of the planned projects in Argentina enter production or expand capacity, Argentina is expected to surpass Chile.

Check the couch cushions: Hunting for tax revenue



Source: Heritage Foundation

The Cambiemos coalition has been praised for its business friendly policies, and investors have high hopes for tax reform, the next item on Mr. Macri’s ambitious agenda. (For more on the private sector’s assessment of Argentina, listen to our recent [podcast episode](#) featuring McLarty’s Kezia McKeague.) But the Macri government faces hurdles in ensuring tax cuts do not worsen the fiscal deficit. His predecessor, Cristina Fernández de Kirchner, left the government in a fiscal hole, despite imposing relatively high taxes on businesses. The deficit in 2016 stood at 4.6 percent of GDP, and Mr. Macri hopes to bring it down to 3.2 percent by 2018. In search of new revenue, he recently proposed a 10 percent sales tax on wine, and an increased tax on champagne. But he quickly caved, after an outcry from industry and Mendoza’s Radical governor, Alfredo Cornejo. (U.S. lawmakers are similarly rediscovering the influence of business lobbies as they debate tax reform.) Wine is not taxed in Argentina, unlike soda, mineral water and beer. But Mr. Macri has also struggled to increase revenue from those beverages. Coca-Cola is protesting a proposal to raise the sales tax on beverages (excluding wine) from 8 percent to 17 percent, and has threatened to reconsider its planned \$1 billion investment in Argentina. Should Coca-Cola derail the beverage tax hike, it would complicate Mr. Macri’s goal of reducing the income tax and customs duties to spur growth, while also meeting deficit reduction targets. Argentina’s primary fiscal deficit (which excludes debt payments) in the first nine months of the year was below the target, but that performance relied upon one-time revenue from penalties related to Argentina’s tax amnesty program.

Sour soy beans: Macri threatens biodiesel suit

President Mauricio Macri has threatened to file a World Trade Organization complaint over duties on Argentine biodiesel imports imposed by the U.S. Department of Commerce earlier this year. (Visit our [archives](#) for previous discussions of this issue.) Argentine Commerce Secretary Miguel Braun, [speaking](#) at the Wilson Center November 2, had expressed hope for a negotiated solution. For his part, Mr. Macri, during his visit to New York City on November 8, also said he was “optimistic” a deal could be reached before the duties go into effect. But he also pledged to defend Argentina’s interests at the WTO. The WTO is no stranger to disputes between the United States and Argentina. In 2014, Argentina [prevailed](#) in a battle over U.S. restrictions on Argentine beef. The next year, the United States, alongside Japan and the EU, [succeeded](#) in challenging Argentina’s import licensing regime. Winning at the WTO is one thing, however, implementation is another; despite the rulings, neither case has been fully resolved.

Road show: CABA ✈ NYC



Fresh off his success in the midterms, Mr. Macri traveled to New York City to sell investors on Argentina. To focus on the campaign, he had skipped the UN General Assembly in September. But he more than made up for it this month, hosting a series of meetings and making sure his interviews made headlines. Mr. Macri, for example, told [Reuters](#) that a Mercosur-EU free trade agreement would be reached by year’s end. The EU, he said, “need(s) some good news after Brexit.” He was notably bullish on the Argentine economy as well, projecting 3 percent GDP growth next year, compared to a 2.5 percent estimate by the IMF. He also made news in a Financial Times [interview](#), urging the United States to take a harder line on Venezuela by calling for an oil embargo.

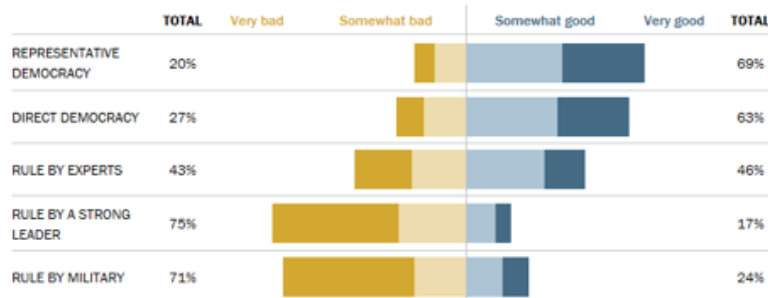
Uber: ‘Every day is a winding road’

Unlike the rides it offers on Buenos Aires’s roadways, Uber has had a bumpy year in Argentina. In April, a judge ordered the company to shut down operations in Buenos Aires, and directed

telecommunications and credit card companies to exclude Uber from their networks. Taxi drivers and their unions have besieged the ride sharing service; they filed a lawsuit the day after Uber opened shop in Buenos Aires in 2016. The same year, the federal government began an investigation into whether Uber had complied with data and privacy regulations. Despite these setbacks, Uber continues to operate successfully in Buenos Aires, albeit somewhat in the shadows. (I'm told passengers still pay in cash or with a foreign credit card.) On Wednesday, however, anti-Uber protests flared up again. During demonstrations against Mr. Macri's proposed labor reforms, taxi drivers marched between the Obelisco and the Plaza de Mayo under the banner "*Uber es ilegal.*" Uber has faced [similar troubles](#) in Brazil, where national lawmakers have threatened to introduce legislation shutting out the company entirely. In response, Uber launched a public relations blitz coordinated with its smaller rivals, which appears to have been successful in bottling the legislation.

Democracy: Not taken for granted

% in **Argentina** saying each of the following systems of government would be a good or bad way to govern the country.



In **Argentina**:

22%

trust the national government to do what is right for **Argentina**.

46%

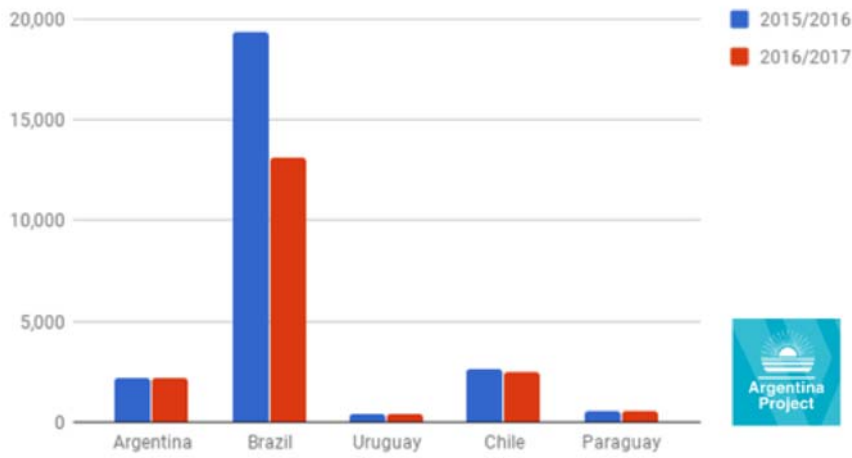
are satisfied with the way democracy is working in **Argentina**.

 Representative democracy A democratic system where representatives elected by citizens decide what becomes law.	 Direct democracy A democratic system where citizens, not elected officials, vote directly on major national issues to decide what becomes law.	 Rule by experts Experts, not elected officials, make decisions according to what they think is best for the country.	 Rule by a strong leader A system in which a strong leader can make decisions without interference from parliament or the courts.	 Rule by military The military rules the country.
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Pew included Argentina in its new 38-nation [survey](#) regarding support for democracy, and three decades since the "Dirty War" ended, it found relatively strong support (69 percent) for representative democracy. That is far below the level in the United States – where 86 percent of respondents favor representative democracy – but higher than in Brazil (59 percent), Chile (58 percent), Colombia (53 percent) and Mexico (58 percent). Latinobarómetro has been asking a similar question for years. In its 2017 report, it found that 77 percent of Argentines support democracy, compared to a regional average of 69 percent.

Homeschooled: Fewer international students choose U.S.

International Students in the United States



Source: Institute of International Education

For the first time in a decade, the number of foreign students studying in the United States is declining. Enrollment in U.S. schools by international students dropped by 3.3 percent in the 2016/17 academic school year, according to the Institute of International Education's annual Open Doors [report](#), released Monday. Several factors are driving this trend, including concern overseas over tighter U.S. immigration policies, and a decline in foreign government scholarships. The latter helps explain the dramatic drop in students from Brazil, South America's largest source of students to the United States. The number of Brazilian students fell by more than 6,000, to 13,000 – a 32 percent drop from the previous academic year. Argentina did not see a decline, with the number of Argentines studying in the United States holding steady at 2,200 (see chart).

Weekly Asado explainer: Tango 01



Mauricio Macri ✓

@mauriciomacri

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6:17 PM - 5 Nov 2017

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While first class is not exactly hard-living, Mr. Macri was slumming it in a commercial flight for his recent visit to the United States. That unusual sight highlights a long-running saga regarding Argentina's lack of presidential air transport. Tango 01, the Boeing 757 used by past Argentine presidents, was grounded by Ms. Fernández de Kirchner in 2013. At the time, her attorneys warned that the plane might be seized by Argentina's creditors, who at one point persuaded Ghanaian authorities to detain an Argentine navy training ship. Ms. Fernández de Kirchner opted to charter jets rather than resolve the [bondholder dispute](#). By contrast, Mr. Macri quickly settled with holdout creditors, but Tango 01 remains off his dance card. The plane needs \$20 million in renovations, which Mr. Macri eliminated from his 2016 budget.

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