

WEEKLY ASADO

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Westminster Markle: Maté at tea time



Since Kensington Palace announced Prince Harry's engagement to Meghan Markle last November, observers have pointed out a number of characteristics that make Ms. Markle an unusual fit for the royal family: she is an American, an actress, the daughter of an African-American mother, divorced and Catholic. But the issue that could be most awkward at the royal dinner table has been largely overlooked: Ms. Markle's apparent affection for Argentina.

Before making a name for herself on the hit show *Suits*, Ms. Markle studied international relations at Northwestern, and spent part of her senior year as an intern in the U.S. Embassy in Buenos Aires. As Argentina's economy collapsed, Ms. Markle had a front row seat, helping to coordinate a visit of the U.S. Treasury secretary to Buenos Aires. In interviews, she credits the experience with shaping her perspective on women's political participation and leadership.

Sounds lovely. Only, while Ms. Markle may fondly remember her experience in Argentina, her future in-laws have had a more fraught relationship with the United Kingdom's South American frenemy. Prince Harry's uncle, Prince Andrew, served as a helicopter pilot for the British Navy in the 1982 Falklands War, which resulted in the deaths of 255 Britons, 649 Argentines and decades of enmity between the two countries. In 2012, Ms. Markle's future brother-in-law, Prince William,

served on the Falkland (Malvinas) Islands with the Royal Air Force, training as a rescue helicopter pilot outside Stanley. His deployment reignited tensions with Argentina.

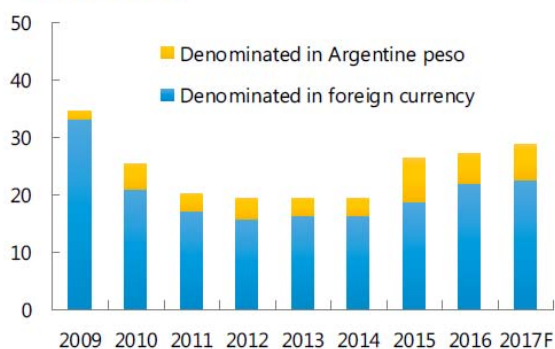
The dispute over the islands remains a delicate subject in both countries. In December, for example, Argentina learned that scientists had identified the remains of 88 Argentine soldiers buried in unmarked graves on the islands following the war. Given these sensitivities, it seems unlikely that Ms. Markle will be introducing maté to the Kensington Palace’s afternoon tea any time soon.

Línea A: Transfer at Wall Street

Though former President Cristina Fernández de Kirchner once described bankers as commission-hungry swindlers inflicting “nonstop anguish” on Argentines, Argentina has exported a network of financiers to Wall Street so extensive that outsiders know it as the “club.” This is particularly true at J.P. Morgan, which announced January 29 that it had promoted the Argentine Daniel Pinto to its number-two post, making him a potential successor to CEO Jamie Dimon. Mr. Pinto has spent 35 years at J.P. Morgan, and led one of its most important divisions, the investment bank. His senior J.P. Morgan colleagues include two other Argentines, Nicolás Aguzin, who heads the bank’s Asia Pacific division; and Martin Marron, the bank’s top executive for Latin America and Canada. The “club” also includes senior executives at other big name firms – such as Gerardo Mato, HSBC’s CEO for the Americas – even though President Mauricio Macri has repatriated Argentine investment bankers from J.P. Morgan, Deutsche Bank, Goldman Sachs, Barclays and Morgan Stanley.

Gradualism: An Article (IV) of faith

Stock of Federal Debt Toward the Private Sector
(Percent of GDP)



Sources: Ministerio de Hacienda and Fund staff calculations.

The most important thing about the International Monetary Fund’s second Article IV of the Macri era is its very existence. Before Mr. Macri’s election, Argentina had refused to permit the obligatory annual review. In 2011, the IMF declared Argentina in breach of its responsibility to provide accurate economic data. Two years later, its executive board formally censured the Argentine government – the first time it had taken that step against any IMF member.

So far, Mr. Macri’s team is no doubt pleased with the results of its IMF examinations. The first report – released in November 2016 – affirmed Cambiemos’s grim assessment of the mess it inherited from former President Cristina Fernández de Kirchner. The latest Article IV – released in

December – offered praise for Mr. Macri’s progress stabilizing the economy: “The government has unwound multiple distortions and made important progress in restoring integrity and transparency in public sector operations. These policy changes have put the economy on a stronger footing and corrected many of the most urgent macroeconomic imbalances.”

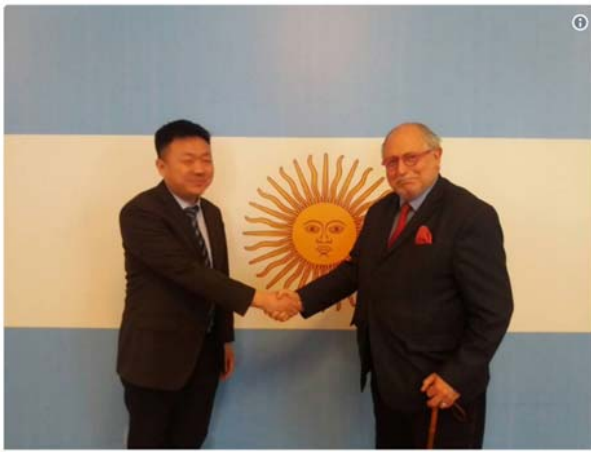
But the latest IMF report also shows it isn’t just Wall Street that is concerned about the pace of Argentina’s fiscal consolidation. Yes, last year’s fiscal deficit (3.9 percent of GDP) was below the government’s 4.2 percent target. But the IMF was not satisfied. In its report, it recommends faster spending cuts to “reduce external vulnerabilities, build credibility and help anchor inflation expectations.” The IMF says greater austerity would allow for lower interest rates and reduce upward pressure on the peso that has widened Argentina’s trade deficit. By contrast, the IMF said a continuation of the “high level of spending is fundamentally unsustainable, precludes a reduction of Argentina’s high and distortionary tax burden and acts as an important impediment to investment, competitiveness, job creation and growth.” (For more on Argentina’s inflation troubles, listen to the Argentina Project Podcast [interview](#) with Frontier Strategy Group analyst Alex Schober.)

The IMF was careful not to blame the situation on Mr. Macri, though he has now been in office two years. Government spending in Argentina increased by more than 14 percentage points of GDP from 2006 to 2017, compared to less than five percentage points on average in the region. It has declined under Mr. Macri, who reduced federal employment by four percent last year, and recently froze salaries for the highest paid public employees. Still, the IMF is clearly skeptical about Mr. Macri’s go-slow approach. It recommends, for example, further reductions in the government payroll, especially in the provinces, which are responsible for 40 percent of total government spending.

Stat of the Oil: Norwegians in Patagonia

Argentina’s state-owned oil company, YPF, has concluded negotiations with Norwegian Statoil to operate jointly in the Vaca Muerta shale play. The companies first announced the 38,800-acre concession in August, but they only finalized the agreement last month. Mr. Macri has been a relentless salesman for Argentina’s oil sector, recruiting both oil majors and oil services companies. Last April, for example, he first traveled to Houston before his Oval Office visit with President Trump. Chevron and Exxon have already made substantial investments in Vaca Muerta, but the territory, the size of Belgium, needs billions of dollars in additional annual investment to unlock some of the world’s largest reserves of unconventional oil and gas. That’s where Statoil comes in. Initially, the company plans to drill two horizontal wells, followed by six additional wells in the second phase of its project. Meanwhile, the Statoil deal is not the only encouraging news for Vaca Muerta: the recent increase in the price of oil, which is approaching \$70 for the first time since 2014, has made drilling in Argentina more attractive, despite the relatively high price of local labor.

High steaks in Beijing: Loosen your one belt



Diego Ramiro Guelar
@diegoguelar



Con el Dr. Liu - presidente del servicio sanitario Chino - en la embajada Argentina en Beijing despues de cerrar la negociacion por el acceso de carnes enfriadas y con hueso a 🇨🇳 !! Una gran alegria !!! Y un gran trabajo del Senasa 🇦🇷 !!

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In the United States, Argentine steakhouses offer traditional Argentine cuts, and slather traditional Argentine chimichurri on traditional... Texan and Uruguayan beef. That's because U.S. authorities have shut out imports of world-famous Argentine beef *since 2001*, after an outbreak of foot and mouth disease. The U.S. ban sparked a lengthy dispute at the World Trade Organization, which in 2015 ruled in Argentina's favor. Last July, the U.S. Department of Agriculture's food safety division finally issued its preliminary report, finding no "immediate threat to public health" from imported Argentine beef. Yet Argentina's wait continues, as the USDA seeks updates on "corrective actions" it has required to Argentina's beef inspection system.

In China, meanwhile, Beijing *asados* will soon feature Argentine steak. Last month, China and Argentina reached an agreement, after years of negotiations, that will open the Chinese market to chilled and bone-in Argentine beef, as well as lamb. The deal could relieve pressure on Argentine ranchers who have waited 17 years to return to the U.S. market. Up to now, Argentina has only exported frozen beef to China, where demand has been rising. In the first 11 months of 2017, the Chinese consumed more than 83,000 tons of frozen Argentine beef, almost double the amount in the same period in 2016.

Fujimori pardon: A regional threat

Three Argentine NGOs have weighed in with the Inter-American Court of Human Rights asking that it overturn Peruvian President Pedro Pablo Kuczynski's December pardon of former Peruvian strongman Alberto Fujimori. The 24-page amicus brief – filed by the Federación Internacional de Derechos Humanos, the Centro de Estudios Legales y Sociales and the Asociación Abuelas de Plaza de Mayo – emphasizes the regional implications of the court's review of Mr. Kuczynski's pardon of a notorious human rights abuser.

In Argentina, following initial attempts to prosecute former senior officials from the military dictatorship, President Raúl Alfonsín and his successor, Carlos Menem, accepted broad amnesty laws. That left Argentine human rights defenders with only one option: appeal to the inter-American human rights system. Their appeal succeed; the international body ruled that the amnesty

laws violated Argentina's treaty commitments. In 2001, citing the international human rights body's ruling, an Argentine federal judge found the country's amnesty laws unconstitutional, and the Argentine Supreme Court upheld that decision. As a result, from 2006 to 2017, Argentine prosecutors brought 201 cases involving human rights abuses, and convicted 858 suspects. Significantly, the international court's Argentina judgement had been based upon its previous decision regarding human rights abuses and amnesty in *Peru*.

In their brief in the Fujimori case, the three Argentine NGOs recognize that "*el sistema interamericano, sus informes y jurisprudencia, han jugado un papel muy importante en el proceso de justicia argentino.*" For that reason, they contend, in Peru's case a ruling against Mr. Kuczynski "*resulta indispensable no sólo para el estado de Perú, sino para la región entera.*"

A Buenos Aires Valentine

Secretary of State Rex Tillerson

"Argentina, under President Macri's leadership, has made monumental strides in delivering reforms to open the Argentine economy and pursue growth for all Argentinians. We hope more countries take a similar path."



Vice President Mike Pence

"Argentina, in many ways, is an inspiration across this hemisphere and across the wider world. And I'm here to tell you, on behalf of President Trump, the United States is with you."



President Donald Trump

"We're just going to be great friends, better than ever before."



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