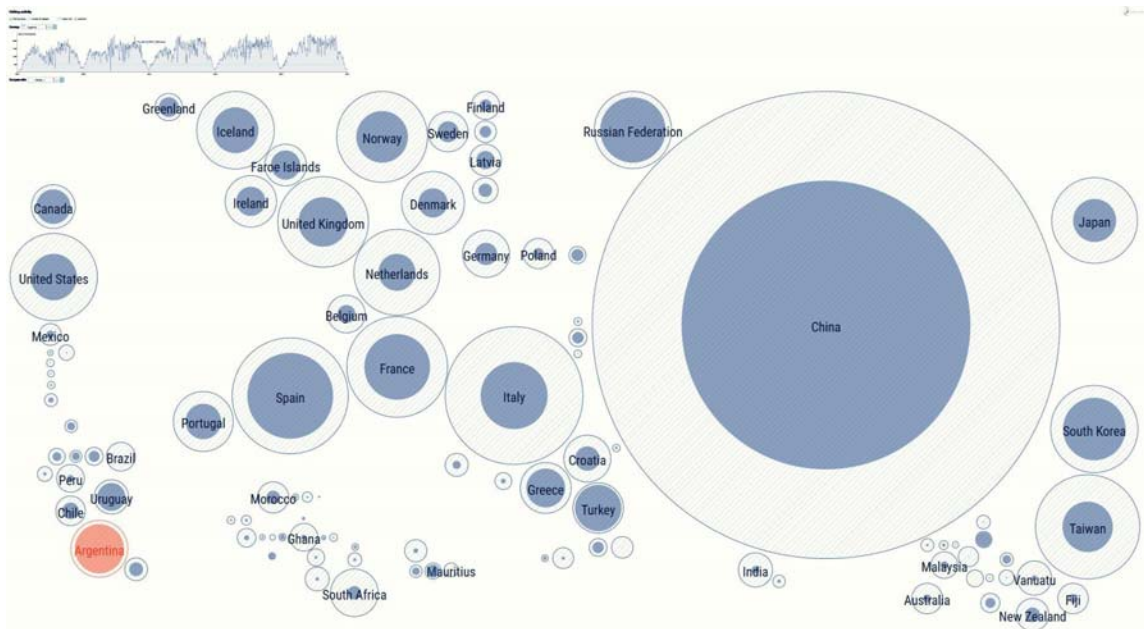




Friday, March 2, 2018

Illegal fishing: What they died for



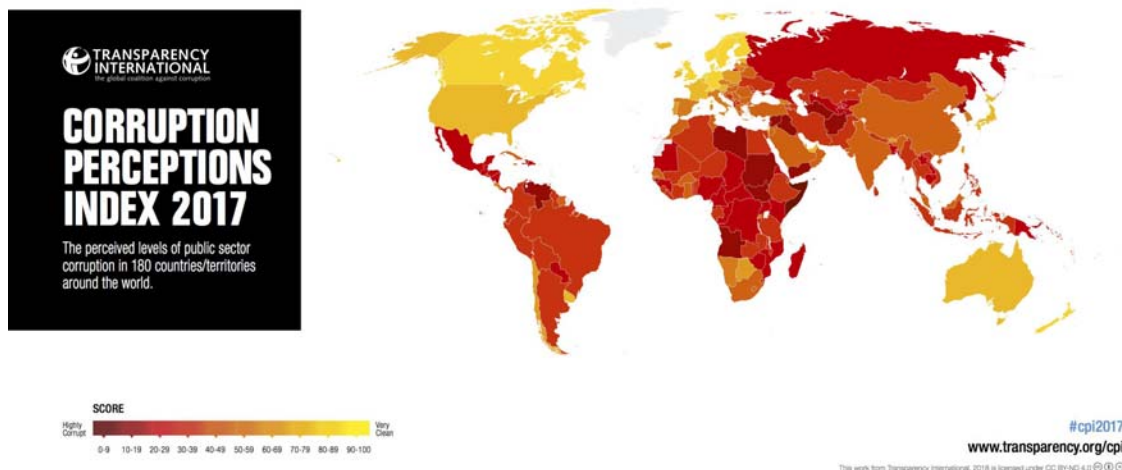
The disappearance last November of the Argentine submarine ARA San Juan has raised questions about the vessel's maintenance record and the state of the Argentine armed forces. But one issue that has been largely ignored is the mission that drew those sailors to the South Atlantic in the first place, illegal fishing off Argentina's shores.

Illegal fishing has been a major headache for Latin America for years, as commercial ships from Asia have exploited the coastal fisheries of countries that have limited resources to monitor their maritime territory. There is also a fear of offending powerful governments – and jeopardizing market access – by harassing foreign fishermen. In 2016, after the Argentine Coast Guard sunk a Chinese fishing vessel by Puerto Madryn, the Chinese government expressed “serious concern about the incident.” The same year as the coast guard confrontation, Argentina declined to join 30 signatories – including Chile, Peru, the United States and the European Union – that approved the Port State Measures Agreement, a treaty designed to combat illegal, unreported and unregulated fishing.

For Latin America, however, the issue is not going away. A study published February 22 in *Science* identified South America's coastal waters as a global fishing hot spot. For Argentina, as many as *125 vessels* were fishing offshore at the peak of the 2015 fishing season, the highest concentration in the region, according to data from Global Fishing Watch, an NGO.

The day after the study came out, the Argentine Coast Guard once again attacked a Chinese fishing vessel that was illegally fishing in Argentine waters, and then chased the ship for eight hours before it escaped.

Brazil: Falling behind the Joneses



In comparison to Brazil, Argentina looks squeaky clean in this year’s Corruption Perceptions Index, the influential global [rankings](#) from Transparency International that examine perceptions of public corruption in 180 countries and territories. For the first time in decades, Brazil was considered more corruption than neighboring Argentina, Bloomberg [reports](#), after falling 17 positions in the rankings, to 96th place. By contrast, Argentina *improved ten positions*, to 85th place. That said, Argentina is still a laggard in the region. For example, two of its neighbors, Uruguay (23rd) and Chile (26th), still significantly outperform Argentina in the corruption rankings.

Biodiesel: Down in the dumps



On February 22, the U.S. Department of Commerce had more [bad news](#) for Argentina’s biodiesel producers. Commerce Secretary Wilbur Ross – who had raised hopes for a negotiated solution when he showed up at an Argentine Embassy reception February 1 – affirmed his earlier decision to impose sky-high anti-dumping duties on Argentine biodiesel. “While the United States values its relationship with Argentina,” Mr. Ross said in a

statement, “even our closest friends must play by the rules.” In 2016, Argentina’s biodiesel exports to the United States were valued at \$1.2 billion.

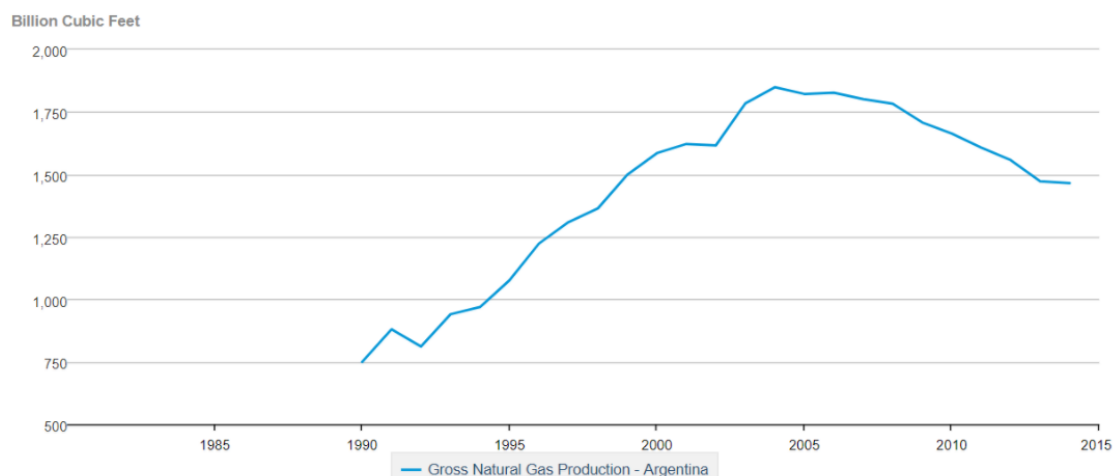
Dumping occurs when a country prices an export at below market value – an unfair trade practice that the U.S. government says is occurring in Argentina (and Indonesia) and hurting U.S. biodiesel producers. In response, Commerce is imposing tariffs as high as 80 percent on Argentine firms, on top of separate duties related to a U.S. investigation into Argentine subsidies for local biodiesel producers. Taken together, the duties will shut out Argentina from its number-one biodiesel market. Argentina’s soybean farmers were already in the doldrums. Thanks to a draught that is raising global soy prices, projected production for this year in Argentina is only 47 million tons, down 18 percent, from 57.5 million, from 2017.


Death do us part: Renewed tension with the Vatican

President Mauricio Macri’s top political adviser, Jaime Durán Barba, has heightened tensions with Pope Francis, after claiming that Argentine society would support the death penalty, and criticizing the pope for a private meeting with Alberto Fernández, a former cabinet chief for both Kirchner presidents. (In response to reports about the meeting, Mr. Durán Barba called the pope an “*activista político*.”) The controversy was the latest chapter in a famously rocky relationship. In January, Argentine Catholics had to travel to Chile to see the pope, after he again left Argentina off his itinerary in a South America trip that also included a stop in Peru. Since moving to Rome, the pope has visited Brazil, in 2013; Cuba, Bolivia, Ecuador and Paraguay, in 2015; Mexico, in 2016; and Colombia last year.

Interconnected: Breaking up is hard to do

Gross Natural Gas Production - Argentina



 Source: U.S. Energy Information Administration

As we discussed in a recent Americas Quarterly [op-ed](#), Argentina regards expanding domestic energy production as a central part of its development strategy, not only hoping to recover self-sufficiency, but aspiring to become a major exporter. (It has been import dependent since 2011.) Though hurdles remain, this pipe dream is not so far-fetched. Argentina and Chile, for example, are building a new gas pipeline and by next year, [Stratfor](#) projects that Argentina will begin exporting shale oil to Chile. But not all of Argentina’s neighbors are celebrating. As Argentina ramps up domestic gas production, it is reportedly

reevaluating its natural gas purchases from Bolivia, though the contract does not expire until 2016.

For Argentina, however, it might be premature to burn bridges with energy suppliers. True, Argentine oil and gas production has increased since June 2017, and its rig count is up 31 percent from a year ago. But both oil and gas production remain *below 2011 levels*. In the meantime, Argentina's energy deficit last year actually *increased*, hitting \$3.5 billion.

New lows: Inflation fears bludgeon peso



In the run-up to the World Bank/International Monetary Fund spring meetings in April, Argentina's central bank is working hard to recover confidence in its independence. Starting in December, the government began strong-arming its monetary authorities. First, it raised the inflation target for this year (from 12 percent to 15 percent). Next, the central bank lowered interest rates at consecutive meetings, despite unfavorable inflation trends. Now, however, the central bank president, Federico Sturzenegger, has become hawkish again. On Tuesday, for the second time in a row, the central bank left interest rates alone, at 27.25 percent.

For anyone holding pesos, however, the damage is done. Mr. Macri got a pass on the peso's initial weakness after he floated the currency shortly after taking office in 2015, leading to a 30 percent devaluation. But in 2016, as Mr. Macri began shedding unsustainable subsidies on energy and transportation, inflation skyrocketed and the peso weakened again, by 18 percent. Last year, it dropped 15 percent, even as currencies throughout the region strengthened against the dollar.

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