

# Weekly Asado

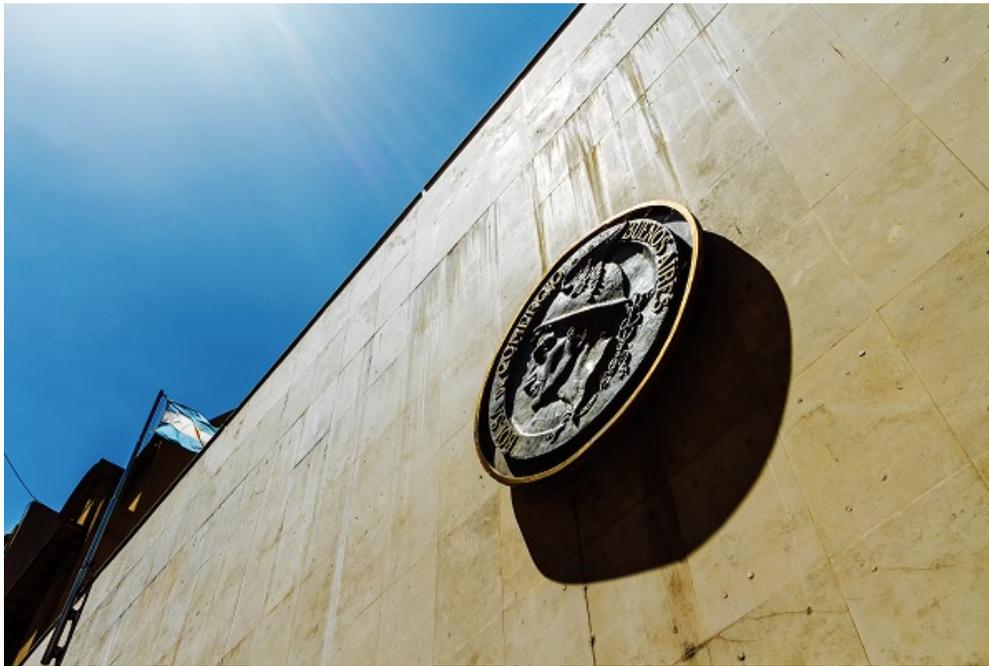


Wilson Center

Argentina Project

Friday, May 25, 2018

## *Never is enough: MSCI mulls Argentina upgrade*



MSCI, a firm that specializes in index funds, is considering upgrading Argentina to be part of its emerging market fund, lifting it from frontier market status. The recognition would be of more than symbolic importance; many funds are restricted from investing in frontier markets (such as those managing money for institutional clients), and so disregard all Argentina opportunities.

Argentina lost its position in the emerging market index in 2009 “as a result of the continued restrictions to inflows and outflows of capital in the Argentinian equity market.” But since President Mauricio Macri, elected in late 2015, liberalized Argentina’s exchange rate and capital flows, Argentina has been holding its breath for an upgrade. Last June, when MSCI failed to change Argentina’s status, it surprised, and displeased, investors; Argentina’s stock market slumped and the peso depreciated. Now, as MSCI prepares to announce this year’s emerging market lineup, investors once again expect it to include Argentina, which would signal confidence in the government’s economic program. The thumbs-up is especially critical given the [recent turbulence](#), and Argentina’s continued disadvantages on other investor guide posts, such as its credit rating.

However, one of the doubts raised by MSCI last year related to Argentina's policy instability, and that concern no doubt remains. It is a familiar frustration for Mr. Macri. MSCI's recognition would instill global confidence in his government and boost foreign investment in Argentina, but MSCI is reluctant to change Argentina's status until the country has already stabilized its economic conditions.

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***Chinese tourism: Room to grow***



# CHINESE TOURISM TO LATIN AMERICA

## CHINESE TOURISM IN NUMBERS



- Chinese tourism in Latin America has reached 122 million per year (2016).
- Chinese tourists spend \$109.8 billion per year (2016).
- Chinese tourists spend \$3,064 per trip on average, compared to \$4,462 for Americans.

## CHINESE TOURISM IN ARGENTINA

- Only 1 percent of Chinese tourists choose Latin America.
- Connectivity is low to Latin America, with few direct flights.
- Argentina receives 36,000 Chinese tourists, who spend \$1,400 per trip.
- Argentina wants to increase Chinese tourism to 100,000 by 2019.
- Antarctica is a major attraction for Chinese tourists.



Sources: Ministry of Culture and Tourism (PRC), Nielsen



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Sometimes, politics runs in families. Robert F. Kennedy served as his brother's attorney general. Vice President Pence's brother is a congressional candidate in Indiana. President Trump's daughter is also his senior adviser. The vice president of Nicaragua is also the first lady. Former President Cristina Fernández de Kirchner's son is a member of the lower house of congress and her sister-in-law is the Santa Cruz governor.

Though politics as a family business is common, however, it is often also controversial. For example, Chilean President Sebastián Piñera recently provoked criticism when he appointed his brother, Pablo, as ambassador to Argentina; he later reversed his decision. In Argentina, Mr. Macri sought to stamp out nepotism by banning public officials from appointing family members to government positions, leading three members of Labor Minister Jorge Triaca's family – his wife and two sisters – to resign from the ministry, along with the interior minister's father and the defense minister's son.

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***Pasantía: Take two***



In Washington, they are as common as a Metrobus: young interns, laboring in government offices, international organizations and think tanks, typically while still in college or graduate school. Though the practice is not entirely without controversy – especially for unpaid positions – the internships are seen as critical experiences before entering the labor force.

In Argentina, however, this opportunity to gain skills and build networks is generally unavailable. In 1998, a labor reform sought to provide young Argentines with work experience. But the law was vulnerable to abuse, permitting firms to hire interns for as long as *four years* and let them work six hours per day. Indeed, abuse of the system was common. Some firms used interns to lower labor costs, and interns were not always placed in positions that built skills.

In 2008, former President Cristina Fernández de Kirchner created a new set of regulations for internships. By design, they were meant to increase the cost of hiring an intern; as one Labor Ministry official said at the time, “*La idea es que al empleador no le salga más barato contratar a un pasante que a un empleado.*” The law reduced the length of internships to a maximum of 1 1/2 years, and limited an intern’s workday to four hours. The law also made firms responsible for providing interns with healthcare (*obras sociales*) and workers’ compensation insurance. The government improved enforcement by establishing a registry of interns. Finally, the reform required firms to hire an intern as a permanent employee if the firm violated the intern’s rights. As the cost of hiring interns rose, the number of internships declined.

Now, as Mr. Macri seeks broad labor reforms, he is trying to revitalize Argentina’s internship tradition. Though the government recognizes that the 1990s law was flawed, and poorly implemented, Mr. Macri is convinced that internships are valuable. “*No vamos a matar a todos los perros porque uno esté rabioso,*” Miguel Ángel Ponte, the secretary of employment, said. In 2016, the government sent to congress a law of *primer empleo*, designed to reanimate internships. It failed to pass. This time around, the reform is included in a broader [labor reform package](#), and incorporates tax and other incentives for employers to hire interns. To gain congressional support, it generally limits internships to individuals aged 18 to 24, and requires companies hiring interns to demonstrate that interns are not supplanting permanent workers. Even with these safeguards, however, the reform is likely to face continued opposition.

***Copycat: USTR dings Argentina on IP protection***

**Priority Watch List**

- Algeria
- Argentina
- Canada
- Chile
- China
- Colombia
- India
- Indonesia
- Kuwait
- Russia
- Ukraine
- Venezuela

**Watch List**

- Barbados
- Bolivia
- Brazil
- Costa Rica
- Dominican Republic
- Ecuador
- Egypt
- Greece
- Guatemala
- Jamaica
- Lebanon
- Mexico
- Pakistan
- Peru
- Romania
- Saudi Arabia
- Switzerland
- Tajikistan
- Thailand
- Turkey
- Turkmenistan
- UAE
- Uzbekistan
- Vietnam

The Office of the United States Trade Representative placed Argentina on its Priority Watch List in its newly [released](#) 2018 Special 301 Report, one of 12 countries to merit that designation.

Admittedly, that was a lot of jargon, but the message is clear: Despite the strong political ties between Washington and Buenos Aires, Argentina received a USTR rebuke. The ignominious Priority Watch List status indicates that “particular problems exist in that country with respect to IP [intellectual property] protection, enforcement or market access for persons relying on IP,” according to USTR guidelines.

In its [report](#), USTR praised Argentina for its “positive trajectory” on intellectual property rights protection. But it highlighted a range of proposed reforms that did not advance over the past year. In the meantime, USTR faulted Argentina for delays in processing patent applications, and for imposing excessive limits on patent eligible subject matter, such as for certain pharmaceuticals and agricultural chemical products. It also accused Argentina of permitting unfair competition from sellers of counterfeit and pirated goods, such as in La Salada market in Buenos Aires, and complained that companies – and even the government – often use unlicensed software.

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