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THEDIALOGUE

FEATURED Q&A

Will Macri's Policies Reap Rewards for Argentine Farmers?

Argentine President Mauricio Macri announced on Dec. 14 that the government was eliminating export taxes on several farm products. // Photo: Argentine Government.

Q Soon after taking office this month, Argentine President Mauricio Macri eliminated export taxes on beef, corn and other farm products, calling on farmers to double food production in the South American country. Will Macri's decision significantly increase production and the volume of agricultural exports? How much influence does the ag sector have on his administration? How will Macri's tax policy affect government finances and its ability to spend on other areas, such as social welfare? Looking ahead, will the sector become more open or in the long term tend to be relatively insular?

A Javier Tizado, vice president of STRAT Consulting in Buenos Aires and former Argentine secretary of state for industry, commerce and investment: "The removal of the currency controls and the return to a free exchange market will translate to a 45 percent devaluation of the Argentine peso. This, added to the elimination of export taxes on agricultural products (except soybeans, decreasing from 35 to 30 percent) and also on industrial goods, is a powerful incentive for an increase in the country's production. Consequently, one can foresee a significant growth in primary production and the quantities exported. Due to the lack of profitability, two million hectares of arable land are currently uncultivated, and the application of technology that is involved in the cultivation of many crops has been declining. New economic conditions will provide full use of the arable surfaces available, and the intensive use of technology will enable accelerated growth. It will also help the recovery of regional economies (outside the Pampas area)

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TODAY'S NEWS

POLITICAL

No Peace Deal by March Deadline: Colombia's FARC

Colombia's FARC rebels announced Monday that they will not sign a final peace accord with the country's government by March, a deadline that the two sides had set three months ago.

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POLITICAL

Panama's High Court Orders Martinelli's Detention

The former president faces accusations of using public funds to spy on citizens, charges he denies.

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POLITICAL

Haiti Postpones Second Round of Presidential Vote

Haiti's electoral council postponed the runoff, scheduled for Sunday. Opposition leaders have claimed widespread fraud after the council announced that Jovenel Moïse and Jude Célestin were the top vote getters in the first round.

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Moïse // File Photo: Moïse Campaign.

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POLITICAL NEWS

Colombia's FARC Says it Won't Sign Accords by March

The Revolutionary Armed Forces of Colombia, or FARC, rebel group announced Monday that it will not sign final peace accords with the Colombian government by a March 23 deadline that the two sides had set in September,

> **"In honoring truth, we must be clear in saying that on March 23 there will not be a signing of the final agreement."**
>
> **— Jesús Santrich**

Noticias Uno reported. Government negotiators have been "changing the rules of the game," said FARC negotiator Jesús Santrich. "In honoring truth, we must be clear in saying that on March 23 there will not be a signing of the final agreement," said Santrich, UPI reported. Colombia's government and the FARC, which have been in peace talks in Havana since November 2012, have recently announced a series of advancements in the talks. The March deadline was set in September the same day that Colombian President Juan Manuel Santos flew to Havana to announce alongside FARC leader Timochenko that the two sides had reached an agreement on punishing human rights abuses committed during the five-decade conflict. Last week, the government and the rebels announced that they had reached agreement on another thorny issue—reparations for victims of the conflict.

Haiti Postpones Presidential Runoff

Haitian election officials have postponed the second round of the country's presidential election, which had been set for Sunday, the Voice of America reported Monday. The Provisional Electoral Council said that the runoff would be rescheduled, but did specify when. Opposition candidates have leveled several accusations of fraud since election officials announced that government-backed candidate Jovenel Moïse and former state construction head Jude Célestin were the top vote getters in the first round of voting in October. A special commission established last week by outgoing President Michel Martelly is to investigate the electoral process, BBC News reported.

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where production is severely compromised by lack of profitability. A gradual increase in industrial goods exports is also expected. However, due to the characteristics of value-added industrial goods, this sector's growth will be slower than that of primary goods. While there will be a decrease in government's revenues due to the elimination of export taxes, the loss will be compensated for by larger incomes from other taxes currently in place—mainly on profits—due to higher production levels and also the expected decrease of subsides in sectors such energy, transport, etc. Regarding social benefits, a more focused and transparent management will provide greater help to the most vulnerable sectors. Looking forward, after a period of consolidation of the new policies, I see a stable economy which will reduce both public deficit and inflation levels and will give Argentines the freedom to produce, trade and invest without restrictions to capital movements."

Andrés Asiain, professor of economics at the Universidad de Buenos Aires: "The decisions to reduce export tariffs for commodities and to devalue the peso imply that there will be an enormous transfer of tax revenue to the agriculture sector that looks to compensate for the drop in international

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NEWS BRIEFS

U.S. Charges Two Venezuelans in Alleged PDVSA Bribery Scheme

More details emerged Monday about two Venezuelan businessmen based in the United States who were arrested in Houston last week on bribery charges related to Venezuelan state oil company PDVSA, Reuters reported. According to court documents, prosecutors say the two, Roberto Rincón, 55, and Abraham Shiera, 52, bribed PDVSA officials to win contracts worth more than $1 billion. The two have been charged with conspiracy to violate the Foreign Corrupt Practices Act. Rincón has entered a plea of not guilty, while Shiera has not entered a plea, the wire service reported.

Peru Expecting 66% Rise in Copper Production

Peruvian officials said Monday that copper output should rise 66 percent in 2016 to about 2.5 million metric tons thanks to the expected launch of operations at MMG's Las Bambas project starting in February, Reuters reported. The Las Bambas project is expected to contribute more than 10 percent of total national copper output next year, Energy and Mines Minister Rosa Maria Ortiz said. However, continued strong local opposition to Southern Copper's Tia Maria project, in the southern region of Arequipa, will likely keep the government from issuing a construction permit through at least late July, Ortiz added.

Pacific Exploration Inks Deal With Talisman to Acquire Colombia Block

Toronto-listed oil and gas firm Pacific Exploration & Production Corp. said Monday it has reached an agreement with Talisman to acquire the remaining 50 percent working interest that Talisman holds in the CPE-6 Block in Colombia. The deal values the stake at $48 million under a royalty and cash payment scheme.

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Panama's High Court Orders Martinelli's Detention

Panama's Supreme Court on Monday ordered the detention of former President Ricardo Martinelli, La Prensa reported. Martinelli, the conservative business magnate who ruled Panama from 2009 to 2014, left the country in January and his current whereabouts are unknown, although he has been seen in Miami. He faces charges over the improper use of public funds to spy on citizens, an investigation that began in June. Martinelli has denied the allegations, saying they are part of a vendetta led by current President Juan Carlos Varela, his former vice president with whom he had a falling out.

ECONOMIC NEWS

Argentina to Enter Talks With 'Holdouts'

Argentina will enter talks with the holders of defaulted bonds who are seeking $10 billion from the government, a court-appointed mediator said Monday, the Associated Press reported. The talks will start in the second week of January in New York, said the mediator, Daniel Pollack. The announcement, which came less than two weeks after Argentina's new president, Mauricio Macri, took office, is a shift from the policies of Former President Cristina Fernández de Kirchner. Pollack made the announcement after meeting with top Argentine government officials. Also on Monday, Macri urged Venezuela to free "political prisoners," including Leopoldo López, Agence France-Presse reported. "There's no room for persecution based on ideological reasons or for thinking differently," Macri said in Paraguay at a summit of leaders of the Mercosur trade bloc, the Associated Press reported. Macri's statement drew an angry response from Venezuelan Foreign Minister Delcy Rodríguez, who told Macri he was "meddling in Venezuela's affairs."

CAPITOL HILL WATCH

A Look at U.S. Congressional Activity on Latin America

Lawmakers Introduce Resolution to Back Colombian Peace Process

McGovern // Photo: Office of Rep. Jim McGovern.

A bipartisan group of five members of the U.S. Congress on Dec. 15 introduced a resolution in support of the peace negotiations between the Colombian government and the FARC rebels. Reps. Jim McGovern (D-Mass.) and Bradley Byrne (R-Ala.), along with other congressmen, commended President Juan Manuel Santos on his leadership throughout the three year-long peace negotiation process. The resolution also calls on U.S. President Barack Obama to continue to support the peace process and to create a plan to help support Colombia as it moves to implement the details of the accord once an agreement is reached between the two groups.

Lawmakers Create Working Group to Further Open Relations With Cuba

Lawmakers are creating a Cuba Working Group aimed at further opening relations between Cuba and the United States, Roll Call reported last Thursday. In a letter to House Speaker Paul Ryan, (R-Wis.) and Minority Leader Nancy Pelosi (D-Calif.), the soon-to-be bipartisan Cuba Working Group wrote, "We believe that American interests are served through greater engagement with Cuban society." Republicans Kevin Cramer of North Dakota, Rick Crawford of Arkansas, Tom Emmer of Minnesota, Reid Ribble of Wisconsin, Ted Poe of Texas and Mark Sanford of South Carolina, and Democrats Kathy Castor of Florida, Jim McGovern of Massachusetts, Sam Farr and Barbara Lee of California, Rosa DeLauro of Connecticut and Nydia M. Velázquez of New York plan to build a new policy framework for the U.S.-Cuba relationship, the report said.

Engel Expresses Support for Central America Funding in Budget

A former chairman of the House Western Hemisphere Subcommittee on Friday expressed support for the inclusion of $750 million in the 2016 omnibus appropriations measure to promote economic growth and curb violence in El Salvador, Guatemala and Honduras as a means of addressing the root causes of child migration to the United States. Rep. Eliot Engel (D-N.Y.) said that instead of barring entry for child migrants from Central America, the United States should invest in and collaborate with the home communities of the young migrants. President Barack Obama signed the $1.1 trillion spending bill into law on Friday.

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prices in recent years. Its impact in terms of the amount of agriculture products produced will be very slight, since Argentina already experienced an increase in production of nearly three million hectares of cereals and oilseeds between 2011 and 2015. If the change is to have a relevant effect, it will be on the price of domestic food, which will increase. An increase in the cost of food will intensify the wage conflict and increase poverty. In this sense, the fiscal measure will cost approximately $1.7 million per year, which is the equivalent of about 1,000 schools, 1,120 miles of highway, 74 months in allowances to poor families or a cost similar to paying for pensions at a minimum of 82 percent of the minimum wage. This policy will have an important impact in terms of the reduction in the average income for Argentines, which will surely depress economic activity in 2016 without compensating for increased exports. We can expect to see a situation unfold in Argentina similar to what is currently happening in Brazil as it faces its recession."

Eduardo Bianchi, professor at the Instituto Universitario Escuela Argentina de Negocios (IUEAN) in Buenos Aires and researcher in the Latin America Trade Network at FLACSO Argentina: "Since 2002, the government of Argentina has maintained high export taxes on agricultural products in order to generate fiscal revenues and to constrain domestic price increases, first due to the 2002 devaluation and afterwards due to the 2007-2008 international price surge. The prolonged application of the measures, coupled with the overvaluation of the Argentine currency from 2012, have diminished the competitiveness and profitability of local agricultural producers, as evidenced by the significant decrease in the size of the national cattle herd. The new government has eliminated export taxes and has liberalized the foreign exchange market. Both measures will undoubtedly generate incentives to increase production, investments and exports in the agricultural sector. Modern production of agricultural goods is not intrinsically inferior to others in terms of its potential for higher added value, with positive economic spillover effects and social externalities or the development of upward and downward links in the production chain. In this sense, the new government is betting on the agricultural sector as an important pillar for economic growth, increased exports, foreign currency accumulation and upgrading in the value chain. Nevertheless, the new government will need to pay attention to the inflationary context and the impact of these new measures on food prices, since there is a policy dilemma between price stability (and income distribution) and the competitiveness of producers of the export products. It will be important to implement policies to face this dilemma, minimizing the disincentives to production and investment in agricultural products while assuring food security for the population."

> **"The new government is betting on the agricultural sector as an important pillar for economic growth...."**
>
> **— Eduardo Bianchi**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at **gkuleta@thedialogue.org**.

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