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FEATURED Q&A

Will Argentina's Economy See a Strong Rebound?

Argentine Economy Minister Martín Guzmán has said the country's economy is starting to recover from the damage of the Covid-19 pandemic. // File Photo: @Martin_M_Guzman via Twitter.

Q Argentina's economy will grow by at least 7 percent this year, Economy Minister Martín Guzmán said March 16. The figure would mark a better-than-expected recovery following three years of recession in the South American nation. What are the most important factors and sectors driving a stronger recovery in Argentina this year? What potential headwinds might Argentina's economy face in the year ahead? Will higher economic growth translate into more jobs and better living conditions for Argentines, of which nearly half were living in poverty last year amid the coronavirus pandemic?

A **Jorge Argüello, Argentina's ambassador to the United States:** "Amid a pandemic, the world today is surrounded by global uncertainty. However, Argentina invested in strengthening its health care systems and acquired knowledge that it was able to turn into protocols that—if the spread of the virus accelerates—will allow us to avoid extreme health measures that could halt or reverse the emerging economic recovery. In the context of this uncertainty and huge fiscal efforts to mitigate the consequences of the pandemic, it will be a challenge to achieve access to financing and make it sustainable, especially in the case of middle-income countries. The government is implementing diverse measures to promote exports in sectors perceived as strategic. In order to remain on track toward sustainable, inclusive and federal development of Argentina, the government is negotiating promotion and cooperation agreements with strategic sectors due to their importance in generating foreign exchange. This includes the automotive sector, mining, agribusiness, oil and gas, and the knowledge

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TODAY'S NEWS

POLITICAL

Mexico's True Death Toll From Covid May Be 60% Higher: Gov't

Mexico's actual death toll from Covid-19 may be 60 percent higher than officially reported, the health ministry said in a report.

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ECONOMIC

López Obrador Seeks to Tighten Mexico's Control of Fuels Market

President Andrés Manuel López Obrador submitted to the lower house of Mexico's Congress a measure to strengthen the state's role in the fuels market.

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POLITICAL

U.S. Expresses Concern Over Bolivia Arrests

The United States expressed concerns about the recent arrests of former Bolivian officials, including former interim President Jeanine Áñez. U.S. Secretary of State Antony Blinken called on Bolivia to release the officials.

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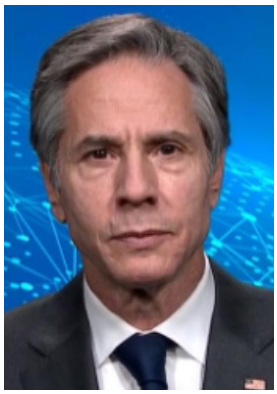

Blinken // File Photo: U.S. State Department.

POLITICAL NEWS

Mexico's True Covid Death Toll May Be 60% Higher: Gov't

Mexico's Health Ministry acknowledged Saturday in a report that the country's actual death toll from Covid-19 may be nearly 60 percent higher than the official count, CNN reported. The report shows that nearly 120,000 victims of the disease may have gone uncounted. Mexico's current official Covid-19 death toll is more than 201,000. Adding the uncounted deaths and putting the actual death toll at more than 321,000 would give Mexico the second-highest Covid death toll in the world—higher than Brazil's total and after only the United States. The Health Ministry's report, titled "Excess Mortality in Mexico," measures the country's number of deaths since the pandemic began a year ago. The report examined death certificates and factored in the expected number of deaths based on projections and estimates that approximately 71 percent of the so-called excess deaths were due to Covid-19. Mexico does little testing for the disease and its hospitals have been overwhelmed during the pandemic, so many Covid-19 victims died at home without ever being tested, the Associated Press reported.

U.S. Concerned Over 'Politicization' of Bolivia's Courts

The U.S. government on Saturday expressed concerns about what it called "anti-democratic behavior and the politicization of Bolivia's legal system," following the arrests of former interim President Jeanine Áñez and officials of her government, the Associated Press reported. There are questions surrounding the legality of the arrests, U.S. Secretary of State Antony Blinken said in a statement. He urged Bolivia to release the officials, pending "an independent and transparent inquiry into human rights and due process concerns." The arrests threaten to undermine democracy in the South American country, said Blinken, who added that the European Union, the Bolivian Conference of Catholic Bishops and Bolivian and international human rights groups had also expressed concerns. Earlier this month, a judge in Bolivia ordered Áñez to be jailed for as long as four months following her arrest on charges related to the ouster of her predecessor, longtime President Evo Morales, which Morales' supporters consider a coup. The judge also ordered two of Áñez's cabinet members to be held for as long as four months. In a seven-page handwritten letter posted last week to her Twitter page, Áñez insisted that she took office legally, said Morales' ouster was not a coup and that her rights were being violated in detention, Reuters reported. Morales fled Bolivia after resigning under pressure in November 2019 but returned last November after his ally Luis Arce was sworn in as president.

ECONOMIC NEWS

U.S. Blocks Venezuela From Disputing Sanctions at WTO

The United States last Friday blocked a move by Venezuela to begin dispute proceedings over U.S. sanctions at the World Trade Organization, Reuters reported. Venezuela was planning to request the creation of a WTO panel to rule on whether the U.S. sanctions imposed in 2018 and 2019 violate global trading rules. The United States asked for the request to be removed, with U.S. Trade Representative spokesman Adam Hodge saying the petition was illegitimate because the administration of Venezuelan President Nicolás Maduro did represent the Venezuelan people. The United States does not recognize Maduro as the legitimate president of the Andean nation following his election in 2018, which was widely denounced as fraudulent. "The United States will reject any effort by Maduro to misuse the WTO to attack U.S. sanctions aimed at restor-

NEWS BRIEFS

Chile's Piñera Seeks Delay of Constitutional Assembly Election Amid Covid Surge

Chilean President Sebastián Piñera on Sunday asked Congress to postpone a two-day election scheduled for the weekend of April 10-11 in which Chileans would select the members of an assembly tasked with writing a new constitution, the Associated Press reported. Piñera urged lawmakers to delay it until May 15-16 because of the Covid-19 pandemic. The move would also delay elections for mayors, city councils and governors. Covid-19 cases in Chile have surged in recent weeks, with Santiago and nearby districts put on lockdown last Saturday.

Venezuela's Guaidó Tests Positive for Covid-19

Venezuelan opposition leader Juan Guaidó, whom some countries including the United States recognize as the interim president of the Andean nation, has tested positive for Covid-19, Guaidó said on Twitter on Sunday. He said he was in isolation and was experiencing mild symptoms. "I also want to express my solidarity with the thousands of Venezuelans who are suffering from the pandemic," he wrote. "Today we all have a relative or acquaintance affected by Covid-19."

Automakers Announce Production Cuts Due to Chip Shortage

Netherlands-based automaker Stellantis and Japan's Nissan have announced production cuts at factories, including in Mexico, amid a global shortage of semiconductor chips, Reuters reported Friday. Stellantis said it would temporarily halt production at five plants in North America, including its plant in Toluca, Mexico. Also on Friday, Nissan said it would halt production at plants including one in Aguascalientes, Mexico.

ing human rights and democracy to Venezuela," Hodge said in a statement. Critics of sanctions argue that they have been unsuccessful in removing Maduro from power while deepening the humanitarian crisis in the South American country. The Biden administration said last month that it was in "no rush" to lift sanctions on Venezuela.

López Obrador Seeks to Tighten Mexico's Grip on Fuels Market

Mexican President Andrés Manuel López Obrador has submitted to Congress a bill that seeks to bolster the state's role in the fuels market, including the possibility of taking control of operations run by private businesses, The Wall Street Journal reported Saturday. It is López Obrador's latest effort to at least partially roll back the 2013 energy reforms that opened the country's energy sector to foreign and private investors, an overhaul that the president has long opposed. López Obrador has clashed with courts and the private sector in recent months as he intensifies his campaign to modify the energy-sector overhaul that took place under the previous administration. The president has made boosting state oil company Pemex and state power utility CFE a cornerstone of his agenda, in what he says is an attempt to secure energy self-sufficiency for Mexico. The legislation seeks to modify the hydrocarbons law so as to allow authorities to halt private permits and intervene temporarily in the event of an "imminent threat to national security, energy security or the national economy," The Wall Street Journal reported. Critics say López Obrador is trying to stir up nationalist voter sentiment ahead of the midterm elections scheduled for June, Bloomberg News reported. "López Obrador has been very skilled in keeping alive the flame of indignation," said Carlos Bravo Regidor, professor at CIDE in Mexico City. "With the tsunami of injunctions this will generate, it will appear that the energy industry won't let the president implement his policy, it won't let him govern. And that is something that electorally serves López Obrador."

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economy. It is estimated that in five years, these policies will generate a growth of 40 percent in exports for the agro-industrial sector, 100 percent in the case of the automotive sector and the knowledge economy, and more than 120 percent in mining, gas and oil. This increase would generate an income of $32 billion in foreign currency and the creation of more than 1.1 million formal jobs. Economy Minister Martín Guzmán spoke about these and other matters during his recent visit to Washington, where he held face-to-face meetings with Kristalina Georgieva and the IMF team that is working on negotiating a new program with Argentina. Once again, it represented an opportunity to make progress in reaching mutual understandings that are part of a constructive dialogue, as happened in previous meetings regarding these ongoing negotiations. The IMF also appreciated this dialogue; in a statement issued March 25, it recognized that 'the Argentine authorities and the IMF team made progress in defining some key principles that could underpin an economic program to help address Argentina's near- and medium-term challenges.' "

A **Kezia McKeague, director at McLarty Associates:** "Stimulus programs in the United States and Europe, coupled with a loosening of pandemic mitigation measures, have created a better-than-expected climate for emerging markets. Most importantly for Argentina, rising prices for soybeans and other commodities have provided an important source of scarce foreign revenue, reducing the risk of an imminent currency crisis. Nevertheless, sovereign bond prices—at their lowest rate since their issuance date—reflect investors' pessimism about double-digit unemployment, inflation projected to reach 50 percent and uncertainty about the timing of a needed debt restructuring with the International Monetary Fund. While the surge in agricultural exports has given the government breathing room, it has also alleviated pressure to implement changes to the macroeconomic framework. In the run-up to midterm elections scheduled for October, the dominant faction of the diverse governing coalition remains committed to tight capital controls, reliance on foreign-currency transfers from the central bank to finance the wide fiscal deficit and a policy mix of price controls, import restrictions and subsidies. These measures will do little to curb inflation or the flight of capital and people—nor will they be conducive to concluding a deal with the IMF, despite the imperative to delay a heavy repayment schedule. Indeed, it has become increasingly clear that the government is decelerating the IMF negotiations in order to avoid political costs in an election year. Yet kicking the can down the road is a suboptimal strategy, as imbalances mount and the risk of a disorderly adjustment grows. Historically, the primary obstacle to jumpstarting the Argentine economy has been political—and it will remain so this year."

> **"Kicking the can down the road is a suboptimal strategy..."**
> **— Kezia McKeague**

A **Daiana Fernández Molero, former undersecretary of microeconomic programming in Argentina's Treasury Ministry:** "Argentina's economy will grow 6-7 percent in 2021. Unfortunately, this growth is a rebound from 2020's 10 percent contraction—it's not built on solid ground and will be short-lived. Why? First, the pandemic remains poorly managed. In 2020, Argentina endured one of the world's longest lockdowns, causing great damage to the economy without achieving results at the health level (accumulated deaths per million reached 1,215, one of the highest in the world). This year finds

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Argentina with few vaccines and no plan to effectively administer the scant doses (only 1.4 percent of the population has been vaccinated). This lack of vaccination, coupled with the coming winter, will have a negative impact on the economy. An agreement with the IMF seems unlikely. While Finance Minister Guzmán was meeting with Kristalina Georgieva, Vice President Cristina Kirchner stated publicly that Argentina was incapable of paying its debts. Reaching a deal with the IMF goes against the image this government needs to portray to its base in a year of midterm elections. Finally, medium-term growth determinants are disappointing: almost all the competitiveness reforms (tax reductions and fiscal consolidation, among others) that the previous government implemented have been rolled back. This, combined with investor distrust, will limit investment and job creation. Nevertheless, on the demand side, the government will stimulate the economy before the October elections to spur private consumption. On the supply side, the construction and agricultural sectors will probably be the best performers. In short, this year Argentina will see high but unsustainable growth and a meager recovery."

Mariana Zepeda, Latin America research analyst at Fronter-View: "Although Argentina's GDP will gradually recover in 2021 (our current forecast assumes a 4.7 percent rebound), driven by the Covid-19 vaccination rollout, public investment and high commodity prices, the country will face significant internal and external headwinds. On the domestic front, contending with the aftermath of the Covid-19 shock will be an onerous task, particularly as the government's tough fiscal situation forces it to lift measures previously implemented to cushion the blow of the pandemic. For instance, the current ban on layoffs has shielded the country from experiencing the pandemic's full-blown impact on the labor market, but it is unsustainable and likely to lead to bankruptcies and further structural damage down the line. Argentina's debt situation remains extremely challenging. With close to $20 billion in IMF debt coming due in 2022, government efforts to delay an IMF agreement until after the October legislative elections are risky, to say the least. While an export-led recovery is on the horizon, particularly given soaring soy prices, Argentina will still have to contend with a deepening fiscal deficit and dwindling international reserves that will weigh on its recovery. That is not to say that exports won't benefit the economy; on the contrary, rising soy prices will likely allow the country to avoid a disorderly peso depreciation in 2021. However, Argentina will have to contend with a deteriorated labor market, stagnant wages and rising informality, eroding Argentines' purchasing power (particularly among lower-income deciles, which the pandemic has affected the most). A revival of default fears in this context will severely limit Argentina's ability to continue to mitigate the economic aftermath of the pandemic, ultimately leaving citizens significantly worse off."

> **"The current ban on layoffs has shielded the country from experiencing the pandemic's full-blown impact on the labor market, but it is unsustainable..."**
>
> **— Mariana Zepeda**

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

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