



Argentina's political puzzle

Committee on Foreign Affairs and International Trade
Senate of Canada

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The Current Situation

In a Global Comparative Perspective

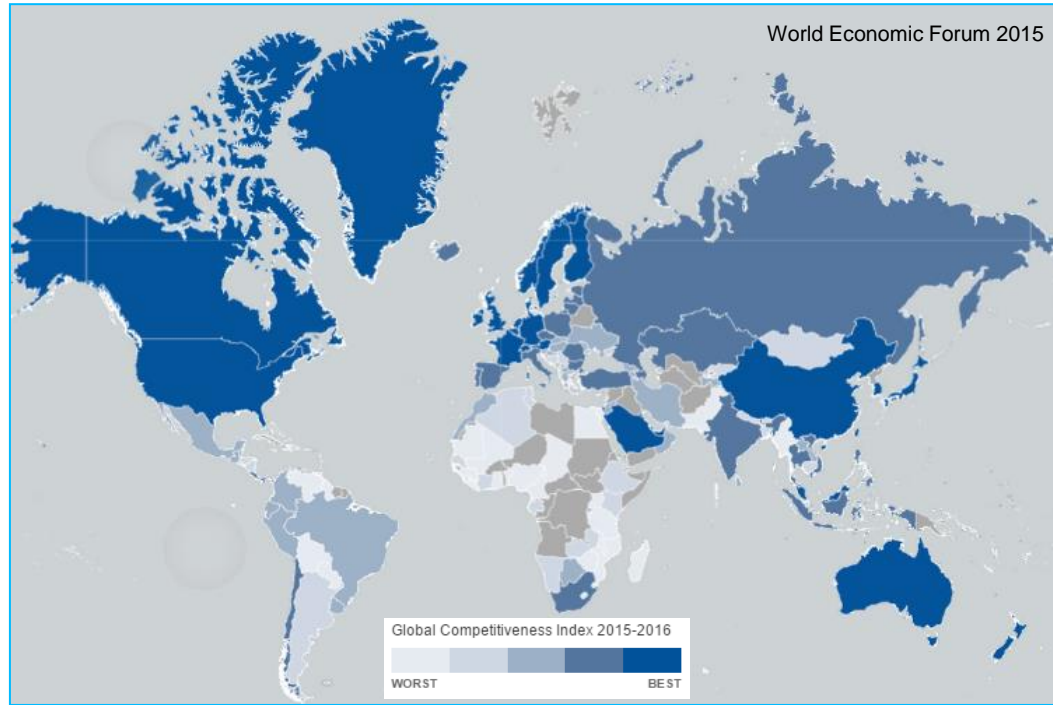


A Country Without a Financial Market



The world according to free-float equity market capitalization (\$bn).

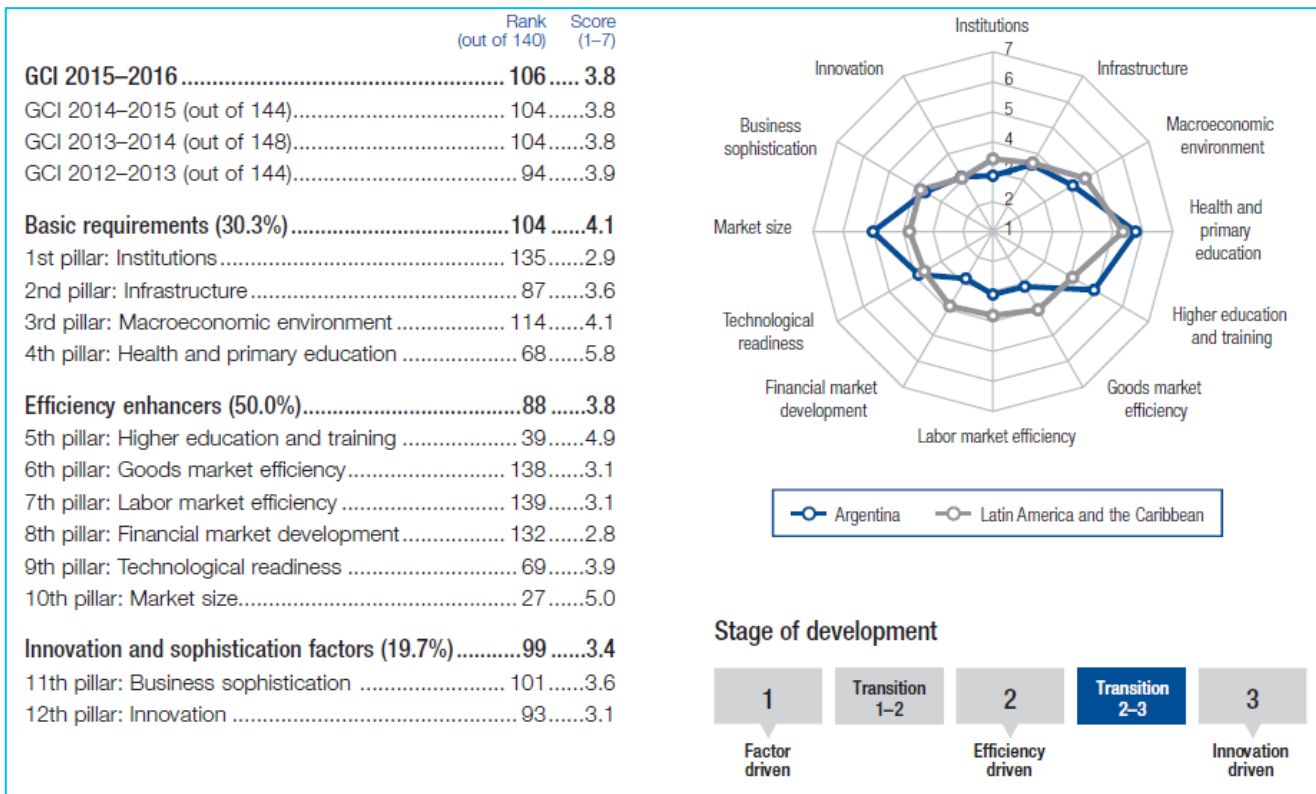
Global Competitiveness: 106/140



Worst attributes:

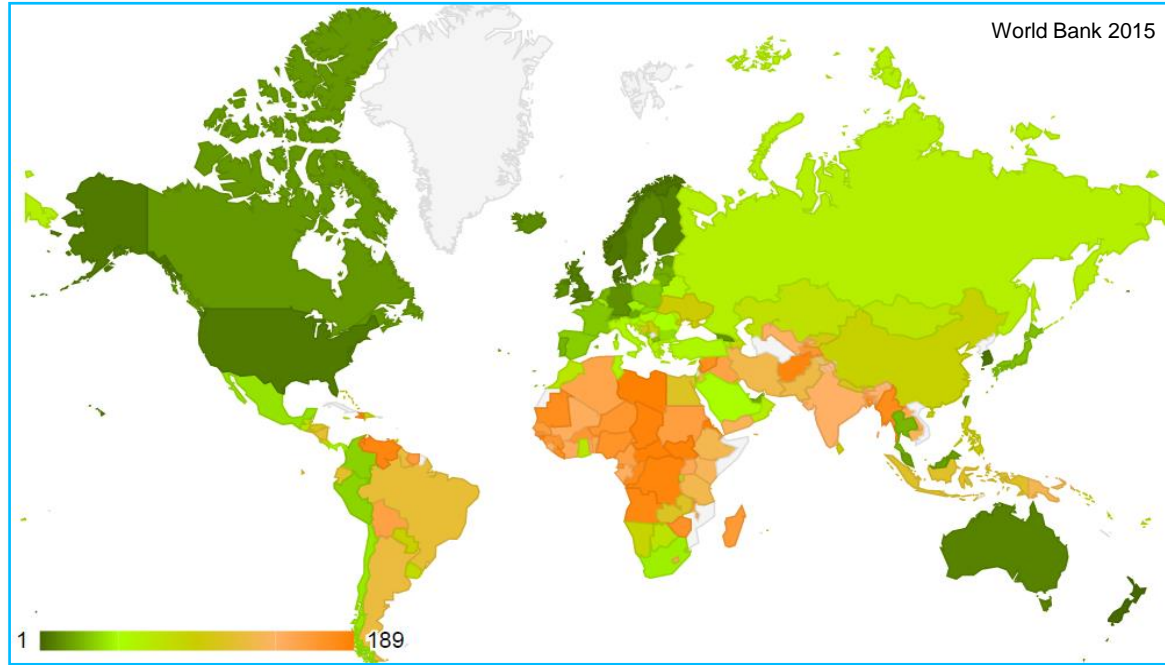
Institutions, macroeconomic environment, efficiency of financial, goods and labor markets.

Global Competitiveness



The Global Competitiveness Index by the World Economic Forum 2015

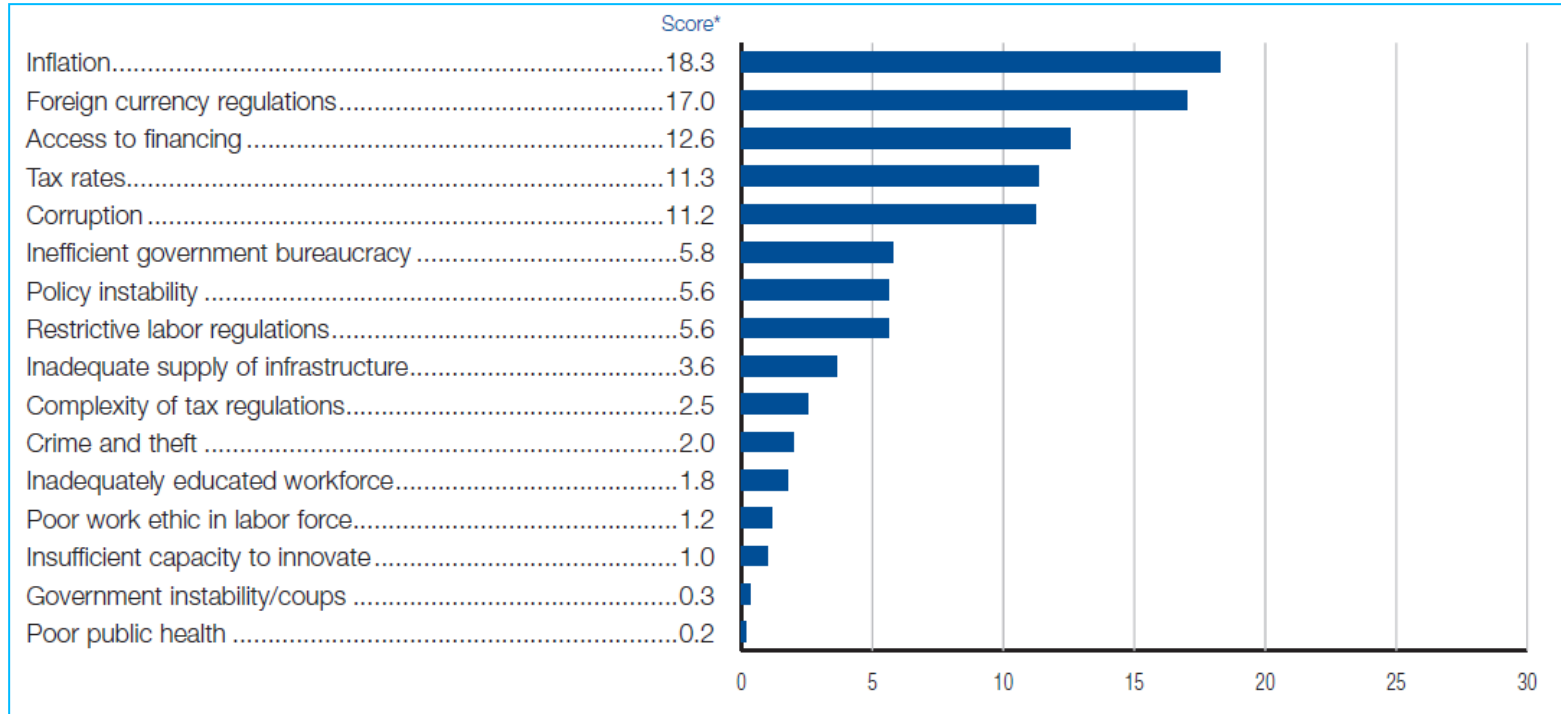
Ease of Doing Business: 124/189



Most challenging factors:

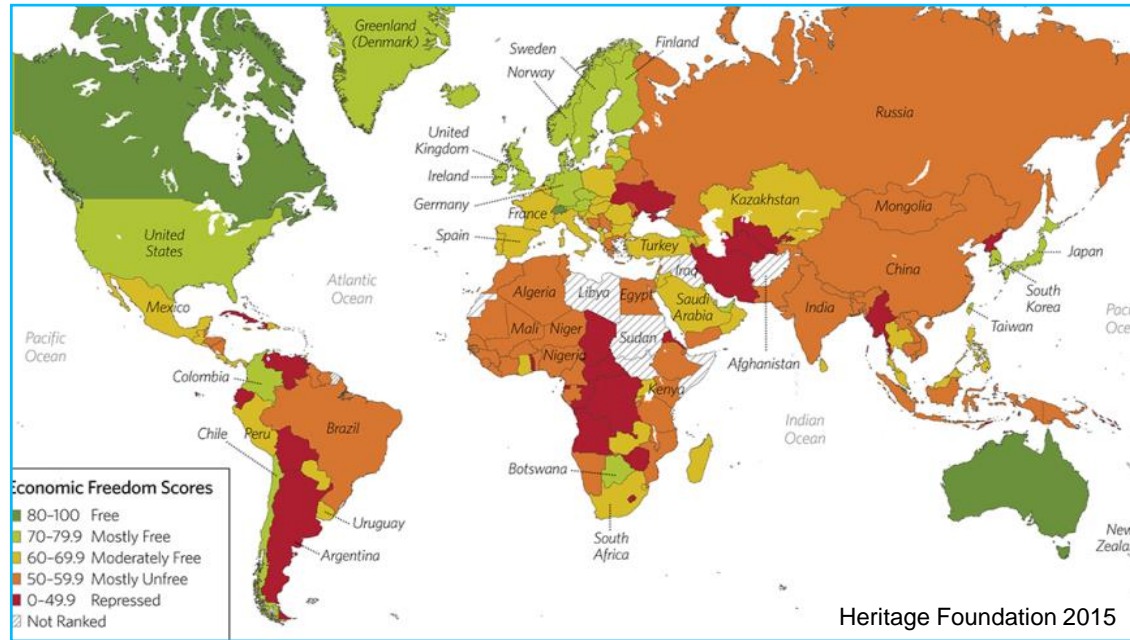
Inflation, FX controls, excessive taxes, access to financing, government corruption.

Problematic Factors for Businesses



The Global Competitiveness Index by the World Economic Forum 2015

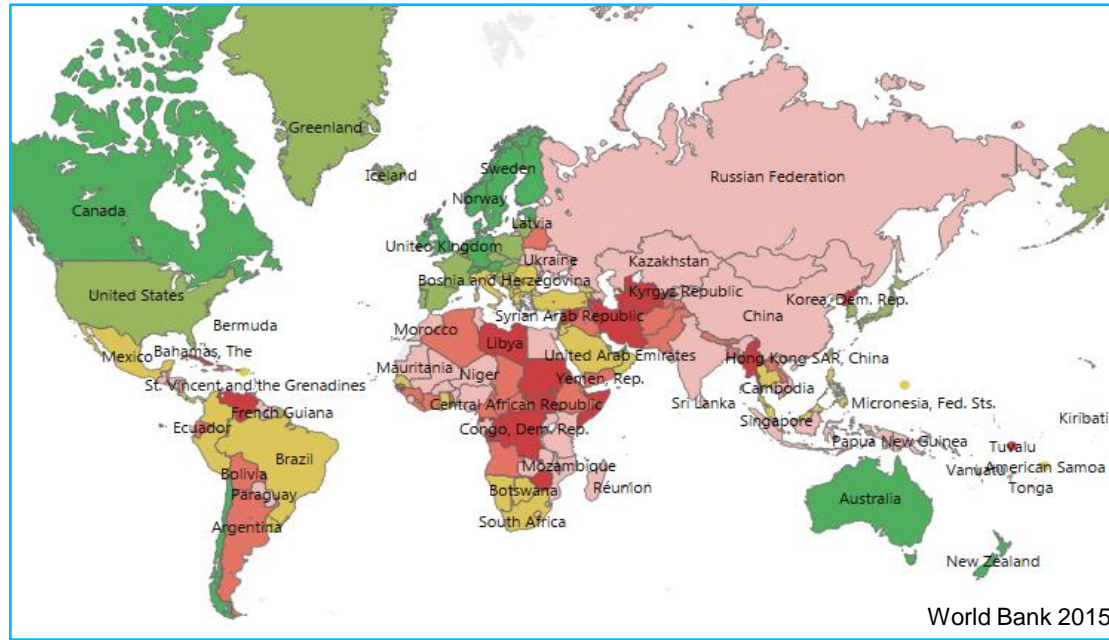
Economic Freedom: 166/178



An “economically repressive” country.

Dropped 64 positions in the ranking since 2003. Property rights is the worst dimension.

Governance Indicators: (39%)



Elementary: regulatory quality.

Very poor: control of corruption, rule of law, government efficiency, absence of violence.

Mediocre: voice and accountability.

Strengths and Weaknesses



Weaknesses



○ Political leadership

Mostly corrupt, poorly traveled, uneducated, parochial.

○ Political System

Strong presidentialism, social fragmentation, inefficient state apparatus, short term horizons, isolationism.

○ Structural problems

Poverty, crime networks (drug-trafficking), state failure to provide public goods, integrity of intelligence services.

Strengths



○ Favorable demographics

Cultural and religious homogeneity, young and literate population.

○ Rich natural resources

Export-oriented agricultural sector, also mining and energy potential, diversified industrial base, in a safe region.

○ Low sovereign debt

Potential access to international financial markets and foreign direct investment (holdouts issue currently blocks these benefits, but will be solved soon).

The Road Ahead: Challenges and Opportunities



Challenges and Opportunities



✓ Regain trust and repair the country's image

Improve cooperation mechanisms with the international community. Exploit existing commercial ties and economic competitive advantages. Redefine foreign policy aims and adjust the diplomatic style.

✓ Improve education of political leaders

Set the conditions for a cultural shift in politics, eradicate populist practices that erode democracy. Reform and modernize the electoral system. Implement meritocracy in the public sector and punish corruption. Aim to restore civilian trust in politics.

✓ Turn growth into development

Build upon what has been done by past governments and drop the stop-go dynamics. Work on long-term goals: invest in public services (health, education and public safety-focus on crime networks) and consolidate acquired social and civil rights.

✓ Build institutional infrastructure and state capacity

The Judicial and Legislative powers should check and balance the Executive branch and not be permeable to its manipulation. Assure the rule of law.

Time, will and perseverance

Thank you!

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