



AMERICAN TASK FORCE
ARGENTINA

VOICEOVER: A message from Dr. Robert Shapiro, Co-chair of the American Task Force Argentina.

SHAPIRO: Argentina, like the other countries in Latin American, has had a good economic run since 2003. Its growth has averaged eight to nine percent a year, and its international reserves approach 44 billions dollars. Now the Buenos Aires government has begun to actively advance the case that Argentina is an attractive candidate for much greater foreign direct investment by the world's leading American and European corporations. A delegation led by Central Bank Governor Martin Redrado and senior members of Argentina's investment community are arriving in London to attend a EuroMoney conference and tell the financial world why investing in Argentina makes sense.

I wish that were the case, but its not. The reason is, that during Argentina's 2001 crisis, its government defaulted on more than \$80 billion of its sovereign debt -- the largest sovereign default in history -- and then a little later took the unprecedented step of repudiating \$20 billion of that debt held mainly by investors in America and Europe who had lent it to Argentina in good faith. The country also remains in serious arrears to other governments, which have been trying to get Argentina to honor its obligations through the Paris Club. The result of these policies, and especially the historic repudiation of so much foreign debt, is that Argentina is barred from international credit markets, and so has been forced to turn to private financing by Venezuela's Hugo Chavez in order to help finance the country's basic infrastructure and education programs.

That has been enough so long as worldwide commodity prices stayed very high. But now time is running out for Argentina, which also faces very serious energy shortages, rising

inflation, price control and slower growth. Even its international reserves fell over the past month, by some \$700 million. And even before all these new problems surfaced, Argentina had been receiving much less foreign direct investment, as a share of its economy, than the other large Latin countries. And just recently, the press reported that that two major foreign energy companies are considering pulling up their stakes there, in the face of the government's latest restrictions and demands.

Argentina can solve its severe energy problems, and proceed with real modernization – but only if it can return to international capital markets and then use the proceeds to make the public investments in 21st century infrastructure, education and health care, which in turn will draw much more foreign direct investment.

But there's one hurdle: first Argentina must honor its international obligations, as every other country in the world does, by repaying the debts owed to the members of the Paris Club and by resolving its \$20 billion in outstanding debts owed to international lenders. Argentines will elect a new president next month. Her or his first priority should be to reopen talks with its bondholders and finally put these matters to rest.

Thank You.

VOICEOVER: For more information, visit the American Task Force Argentina website at: www.atfa.org.