

# U.S.-Argentina Business Council

Washington, D.C.

July, 2023

Dear Candidate for the Presidency of the Argentine Republic,

The U.S. Chamber of Commerce's U.S.-Argentina Business Council (USABC) is the premier business advocacy organization dedicated to strengthening the economic and commercial relationship between the United States and Argentina. Our member companies, which invest and create jobs and opportunities in markets, play a critical role in maximizing the growth of the Argentine-U.S. economic partnership.

The U.S. is one of Argentina's main trading partners. In 2022, the U.S. became the third destination of Argentine exports after China and the ASEAN countries with 16.9 billion USD in total trade as well as the third origin of imports after China and the EU trade. For the past 10 years, the U.S. also remained among the three most important destinations for Argentine exports, as they are the first export destination for one-third of Argentine provinces. The United States' significant involvement in Argentine exports is reflected in some of the largest Argentine companies in the steel, aluminum and oil and gas sectors, and also for regional economies that produce wine, black tea, blueberries, honey, olive oil, and citrus products.

The United States is also a key partner in terms of investment, as it accounted for nearly a quarter of the total stock of foreign direct investment (FDI) in Argentina until 2016, being the largest country of origin. In terms of annual flow, the United States accounted for one out of every six dollars invested in the country during the period 2005-2016, coming in second as the largest source of FDI after Spain.

The U.S. and Argentina also share a common goal of regional peace and stability and have partnered on international peacekeeping operations and advocacy for the non-proliferation of weapons of mass destruction.

In this context, the USABC and its members are committed to strengthening the bilateral economic, commercial, security, and investment relations. We are convinced that, under the right conditions and with the correct policies, the relationship can continue to grow. Accordingly, the USABC works with both governments to identify policy priorities and share best practices, aimed to strengthen trade relationships, increase competitiveness in the global market, and ensure mutual prosperity for the benefit of all.

This open letter aims to convey the USABC's vision regarding Argentina's enormous development potential and to make a constructive contribution to the public conversation during this electoral year while also ensuring that sustainable and inclusive economic growth becomes a reality for Argentina. **Based on the ongoing dialogue we maintain with local representatives, in this open letter we identify a series of initiatives and reforms in critical areas –such as trade, energy, and innovation– which we believe the future government of Argentina should advance to create favorable conditions for unlocking its significant development potential, and with which the U.S.-Argentina Business Council is committed to collaborate.**

The USABC is in an ideal position to promote public policies to improve the business climate and increase bilateral trade and investment. The Council leverages the strength of the U.S. Chamber of Commerce and its network of partners and affiliates, including AmCham Argentina, with the tools, expertise, and networks to advance a broad sectoral agenda.



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Working on those initiatives and reforms also requires, as a necessary condition, addressing structural challenges. **It is essential for Argentina to deepen its efforts to resolve its macroeconomic imbalances, fulfilling the commitments made under the program with the International Monetary Fund and moving towards the gradual easing of capital controls, import restrictions, and other measures that discourage investment and international trade. Likewise, it is crucial to take measures to strengthen the rule of law to increase predictability, stability, and transparency in Argentina.**

Argentina has the second-largest shale gas reserves and the fourth-largest shale oil reserves in the world, with the majority being exportable as the country is close to energy self-sufficiency. Attracting the necessary investments to fully develop the potential of Vaca Muerta, the formation that holds these hydrocarbon reserves, would enable Argentina to meet its entire domestic energy demand and have abundant resources to export to the rest of the world. In this way, the country could contribute to global energy security, especially in the current geopolitical context characterized by the energy crisis resulting from the Russian invasion of Ukraine and the decline in natural gas production in Bolivia.

Furthermore, the country is in a privileged position to become a supplier of critical inputs in the transition to a green economy. On one hand, over 50% of its territory is suitable for wind and solar power generation, making Argentina one of the main destinations for investment in green hydrogen. On the other hand, the country has the third-largest lithium reserves in the world, a critical mineral to produce battery storage systems, and therefore a key input in the value chain of electric vehicles.

**The Council fully supports Argentina in its ambition to become a net exporter of both traditional and clean energy, which would position it to become a key player in global climate change efforts by allowing it to achieve sustainable development goals and the transition to carbon neutrality, while also increasing its exports and contributing to macroeconomic stability.**

We support:

- The elimination of import controls and discretionary access to the foreign exchange market.
- The introduction of credible policies to progressively repatriate dividends and eventually lift capital controls.
- The implementation of an adjustment of energy tariffs to reflect market conditions, reducing distorting subsidies until their full elimination.
- The gradual elimination of export permits and transition to a free-market scheme as production increases and meets local demand.
- The development of critical infrastructure (e.g., Vaca Muerta pipelines) and facilitation of investment in infrastructure, including through public-private partnerships.
- The implementation of special promotion regimes such as the proposed Hydrocarbons Promotion Act or the LNG Act, also encompassing clear rules for the mining sector and clean energies.

Argentina has excellent starting conditions to easily boost innovative industries, especially in the pharmaceutical and agricultural areas, as confirmed by two recent developments. First, the country recently authorized the sale of HB4 wheat, the world's first genetically modified wheat variant, developed by the national company Bioceres in collaboration



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with two prestigious national research institutions. Second, Argentina became one of the few developing countries that, at the beginning of the COVID-19 pandemic in December 2019, conducted clinical trials for vaccine development. Additionally, the combination of numerous researchers per capita and a significant infrastructure of research institutes creates optimal conditions for innovation in these sectors.

**The Council recognizes the importance and quality of Argentina's innovation ecosystem capacity, as well as its potential to contribute to sustainable and inclusive growth and highlights the importance of developing a favorable regulatory framework for investment in Research and Development (R&D), as well as the need for a modern intellectual property rights protection regime aligned with international standards.**

In this regard, we support:

- The adoption of a modern data protection law that ensures the free, secure, and efficient flow of data.
- The implementation of 5G technology at the federal level.
- The repeal of restrictive patentability criteria and the extension of intellectual property rights protection to all types of chemical and pharmaceutical innovations.
- The recognition of patentability of living matter.
- The adoption of UPOV 91 standards to ensure the protection of plant varieties.
- The extension of data exclusivity protection and recognition of its exclusivity.
- The modification of patent terms, considering delays in patent examination, promotes an innovative environment that considers delays that are not attributable to innovators.
- The implementation of a capacity development program for the Judiciary focused on the importance of intellectual property rights enforcement.

Argentina has extraordinary conditions to integrate into the global economy. The country's productive structure is characterized by a diversified industrial base with over 50,000 industrial companies in sectors ranging from food to automotive, chemicals, metal-mechanics, pharmaceuticals, textiles, and forestry, among others. Argentina's agricultural sector not only generates the revenue the country needs but also contributes to the development of related industries such as machinery, biotechnology, processed foods, and Agtech. Additionally, this sector positions the country as a privileged food supplier to the rest of the world, with the capacity to feed 400 million people and help ensure food security.

Furthermore, Argentina benefits from abundant natural resources, such as minerals and energy, which are increasingly in demand in the context of the energy transition. The country also possesses one of the key assets needed to beneficially integrate into the global economy: talent and human capital. In fact, the availability of Argentine professionals trained in the knowledge economy gives the country a relevant role in the sector at the regional scale.

However, significant trade barriers prevent Argentine companies from joining global value chains, as foreign inputs and capital goods are penalized with high tariffs, while the discretionary use of non-tariff measures creates great supply



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uncertainty for businesses. Moreover, the low number of free trade agreements means that goods exported by Argentina face higher tariffs than competitors in major export markets. Overall, these factors make Argentina an unattractive destination for manufacturing and/or services investment by global companies, which explains the low foreign direct investment (FDI) relative to GDP.

**The Council advocates for Argentina's integration into the global economy as a central tool in a growth strategy based on exports, productivity improvement, and the creation of better jobs. It underscores the importance of advancing the modernization of Mercosur, reducing export taxes, strengthening institutional dialogue, and promoting trade and investment cooperation between the United States and Argentina.**

To achieve this, we support:

- The consolidation of a unified exchange rate and the lifting of restrictions in the foreign exchange market.
- The relaxation of price controls, import restrictions, and fund transfers.
- The signing and ratification of negotiated free trade agreements and the opening of negotiations with key trading partners.
- Trade facilitation and digitalization, through the improvement of all functionalities of the Single Window for Foreign Trade (VUCE), ensuring that all relevant trade procedures, including those related to export promotion schemes such as temporary importation, can be carried out online and through a single-entry point.
- Easier Authorized Economic Operator (AEO) accreditation for relevant national commercial operators and the promotion of mutual recognition agreements with foreign customs offices.
- The review and optimization of special regimes to promote exports, as well as the modernization of special geographic regimes, particularly the special customs area in the province of Tierra del Fuego and the free trade zone regime dating back to 1994.
- The reduction of costs and time for compliance certification with technical regulations, including a self-certification scheme or minimizing the involvement of state-accredited organizations (i.e., discouraging monopolies).

**The Council recognizes the importance of security cooperation between the U.S. and Argentina and is supportive of U.S. Southern Command's goals to strengthen partnerships and counter threats in the region.**

To achieve this, we support:

- Strengthening U.S. – Argentine trade aligned with Argentina's defense modernization plans
- Growing industrial relationships and building capacity in the defense and security sectors
- Continue exploring the potential of Space related activities as has been the case for decades



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## **About the US-Argentina Business Council**

The U.S. Chamber of Commerce's U.S.-Argentina Business Council (USABC) is the leading business advocacy organization dedicated to strengthening the economic and commercial relationship between the United States and Argentina. Our mission is to foster a strong economic and commercial relationship between both countries by identifying challenges and proposing solutions to trade-related issues, promoting trade and investment opportunities for USABC members, and supporting economic growth in Argentina and the United States, particularly by supporting Argentina's economic reform efforts.

## **About the US Chamber of Commerce**

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes in every sector of the economy. Our members range from small businesses and local chambers of commerce lining the main streets of the United States to leading industry associations and large corporations. They all have one thing in common: they rely on the Chamber of Commerce to be their voice in Washington, across the country, and around the world. For over 100 years, we have advocated for business-friendly policies that promote job creation and economic growth.

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