

Argentina

CONTEMPORARY HISTORY

After more than two centuries of Spanish colonization, Argentina became independent in 1816. The first constitution, written in 1853, brought an era of stability and prosperity. Argentina had a small indigenous population and no plantation farming. Many immigrants coming from Europe in the 19th and early 20th centuries brought new ideas with them. Argentina's economy benefited during this period from the development of modern agricultural techniques and also from an influx of foreign investments, particularly from Great Britain. From 1880 to 1930 Argentina became one of the world's 10 wealthiest nations based on rapid expansion of agriculture and foreign investment in infrastructure.

The country alternated between various conservative and radical governments until a military coup in 1943 led to the rise of Juan Domingo Peron. As Argentina's president, Peron (along with his famous and charismatic wife Eva) launched an ambitious program of domestic industrialization and self-determination. Peron himself was ousted by a military coup in 1955 and forced into exile in Spain. This ushered in 30 years of brutal military rule interspersed with brief periods of civilian governments. In particular, the years 1976 to 1983 have been described as the years of the Dirty War. Opponents and critics of the military regime were eradicated by paramilitary death squads, and between 10,000 and 30,000 citizens disappeared (presumed killed). The most famous victims of this period were the so-called Madres de la Plaza de Mayo, women who bravely kept a public vigil for the "disappeared" members of their families and who often disappeared themselves.

In 1982, the military tried to take over the Falkland Islands (owned by Great Britain), causing war between the two countries. This invasion conveniently distracted attention from Argentina's political corruption and economic mismanagement. The war spurred nationalism in both the UK and Argentina and was costly to both, but Britain won the war. This led to the downfall of military rule and the reinstatement of the 1853 democratic constitution.



Flag



The flag was designed by General Manuel Belgrano in 1812 and was modeled after the uniforms of the Liberation Army which fought for Argentina's independence from Spain.

Argentina: Facts

Capital	Buenos Aires
Government	Republic
Government Head (President)	Cristina Fernandez de Kirchner
Economy	Capitalist
Independence	1816
Area (sq. km)	2,767,000
Population (millions)	40
Adult Literacy	97.2%
Pop. Growth Rate	1.07%

Source: CIA World Fact book. Military data for year 2005. All others for year 2008. GDP figures are in Purchasing Power Parity. Tuberculosis data for year 2006 and Health Care % of GDP for year 2005 from WHO.

The government of Carlos Menem, president from 1989 to 1999, instituted economic reforms, privatized public industries, opened the economy to foreign investment, and reduced inflation. In 2001, Menem's successor, De la Rúa, was forced to resign after four years of recession. Argentina's economy collapsed, and the country plunged into a political crisis. The government defaulted on more than \$100 billion in foreign debt, the largest government default in the world's history. Argentines could not withdraw their money from the banks, provoking general civil disorder. To deal with the crisis, the Argentine Congress suspended normal procedure for electing presidents in January 2002. Five different men were president in the span of two weeks. By June, 56% of Argentines had fallen below the official poverty line. Argentina had long enjoyed Latin America's best standard of living, so it was and hard to adjust to such a change in fortunes for its citizens.

In May 2003, Argentines elected populist governor Nestor Kirchner to be their new president, although he received only 25% of the popular vote. Foreign creditors were forced to accept as little as 30% of what they were owed on their government debt. Mr. Kirchner was able to stabilize prices and the exchange rate, providing the stepping stones for an economic recovery.

For the next five years, the economy grew an astounding average 8-9% a year. The main reasons for growth were a strong global economy, high prices for Argentina's commodity exports, increased consumer buying, and the existence of much idle capacity in the economy. However, growth has slowed to 5-6% for 2008. Argentina will not escape the domino effect of the economic downturn. For example, global crop prices are down as much as 49% since the summer of 2008. Farm products are important exports for the country. Argentina is the world's third largest soybean exporter and it's second largest corn exporter. Thus lower crop prices will mean less money flowing through the Argentine economy.

Cristina Fernandez has been president of Argentina since December 2007. She is the wife of former president Nestor Kirchner. Mrs. Fernandez is a nationally known politician in her own right, serving in Congress since 1995. But her style of governing has angered the public. She has a heavy-handed, confrontational style. Most of the decision-making is concentrated in a handful of people at the top. Thus Mrs. Fernandez's public approval ratings are hovering between a low 20-30%.

The next presidential election will be in 2011.

ARGENTINA TODAY

Argentina is a developing country on the continent of South America. It is the second largest country in South America (Brazil is the largest). The country is about 30% of the size of the US. South America is now home to more stable governments than in years past, which has improved relations and trade between many countries.

One hundred years ago Argentina was one of the world's 10 wealthiest nations. It became a democracy in 1853. But the country has struggled with many leadership transitions since 1930, with the military and civilian governments trading power. Frequently those in power mismanaged the economy and/or abused the rule of law. Argentina has been surprisingly resilient in such a tumultuous political and economic landscape. It has been helped by a wealth of natural resources, a diversified industrial base, and a highly educated populace (97% literacy rate).

Argentina is currently recovering from a collapse of its economy in 2001. In 2002, 56% of the population had fallen below the official poverty line. But that number has been halved in six years, thanks to a stable government since 2003. It now has the 20th largest economy in the world.

As for the issue of global warming, Argentina has been a leader in Latin America. It has hosted two rounds of negotiations on global warming and was the first developing country to limit emissions of greenhouse gases. With its glaciers retreating at higher elevations and rising sea levels on its coast, Argentina understands the seriousness of continued warming of the planet.

Human Rights

Under military rule over a decade ago, Argentina suffered terrible human rights crimes in the name of fighting communism. At least 14,000 people "disappeared" when Argentina was under military rule from 1976 to 1983 (called the Dirty War). While the military lost political power in 1983, they were able to protect themselves with amnesty laws passed in the late 1980s. These laws were passed to shield such individuals from prosecution. However, former President Kirchner was briefly detained during

the Dirty War and some of his friends were killed. So he has no sympathy for the military men accused of human rights violations during the Dirty War. In 2005, the courts overturned eight pardons of military commanders. Importantly, the courts overturned two key amnesty laws in 2005. Thus, pending court cases against 330 former military and police personnel currently in custody are moving forward. Former President Kuchner repealed a decree that prevented the extradition of Argentines to stand trial in other countries. So a related human rights trial in Spain is expected to generate extradition requests. Argentina ratified the International Criminal Court treaty in 2001.

Argentina has a very large rich-poor gap. The economic crisis of 2001 increased this already large gap between the rich and the poor. Major cities have seen an increase in population as people come from the countryside to find work. When they cannot find work, they sometimes turn to crime. Buenos Aires, for example, has a very high crime rate.

Although child labor exists in Argentina, the problem is far less serious compared to its neighbors (Chile, Brazil, and Bolivia). Most child workers in Argentina work as farm laborers alongside their parents, and some work in the cities as domestic servants. Argentina maintains a minimum age law requiring that children be 14 years old before they can work. Argentina signed the Convention of the Rights of the Child in 1991 and is concerned about regional trafficking of child prostitutes. In 1994, the "Commitment to Women and Children" initiative was created. National strategies and targets were set. Central government funding was assigned

for implementation in regional programs.

The Argentine Constitution provides for equality of all citizens and prohibits discrimination on the basis of "race, religion, nationality, ideology, political opinion, sex, economic position, social class, or physical characteristics." Nevertheless, violence against women, particularly domestic violence, continues to be a problem and goes widely unreported. Women continue to face job discrimination and are often paid less than men for equal work, although it is illegal.

Argentina does not have a large minority population. But there are some indigenous Indian tribes still living in Argentina, some of which are involved in legal disputes with the federal government over the return of their ancestral lands.

Environment

In its effort to develop, Argentina has often compromised environmental protection. To increase land for agricultural production, companies have cut down large areas of rain forests. In addition, improper land use practices have caused erosion and soil degradation. Rivers have become polluted from increased pesticide and fertilizer use. Desertification is also occurring. In major cities like Buenos Aires, there is severe air and water pollution. A study in Buenos Aires estimated that the chemical, petrochemical, and oil and gas industries produce roughly 30% of all waste.

In global warming negotiations, Argentina sees itself as a supporter of environmental protection. It has hosted two rounds of international

negotiations on global warming, 1998 and 2004. In such discussions, Argentina was the first developing country to agree to limit emissions of greenhouse gases. Because no developing countries are covered by the Kyoto Protocol on global warming, the country's goals are strictly voluntary.

There have been early warning signs of global warming in Argentina. At high elevations, glaciers are retreating. Rainfall is increasing in the northeastern part of the country. Average annual temperatures have risen by 1.8 degrees Fahrenheit over the last century. The range of disease-carrying mosquitoes is shifting. Along the coast, there have been rising sea levels and coral bleaching.

Argentina is looking towards nuclear power as a contributing solution to global warming. It has two operating nuclear plants and is seeking to bring another online by 2010 to meet fast-growing energy needs and stave off recent shortfalls. However, most environmentalists say nuclear energy is potentially hazardous, and create a long-term threat in the form of radioactive waste and the need to store it for thousands of years. Nuclear power plants are also vulnerable to terrorist threats.

Argentina's biggest challenge in health is to extend available health care services to the segments of its population living in poverty. This problem is reflected in the relatively high percentage (7 per 1,000) of the adult population suffering from AIDS. For a moderately wealthy nation, it also suffers a high rate of tuberculosis (39 per 100,000) and infant mortality (15 per 1,000). Life expectancy in Argentina averages 76 years.

Argentina

In a joint program with Brazil, Argentina is producing anti-AIDS drugs to lower the cost of treatment. Both countries provide free medical care to all HIV-positive patients. Argentina spends about \$60 million a year to treat HIV/AIDS patients.

Argentina uses a mix of federal funding and payroll deductions to finance hospitals and health care. The country's current expenditure for health care equals about 10.2% of its GDP. As a response to the recent economic crisis, the country has received grants in several areas. The International Bank for Reconstruction and Development (IRBD) is partially funding two notable projects in Argentina. First, the Maternal and Child Health and Nutrition Program (PROMIN) targets poor mothers and their young children. Second, the Health Sector Reform Project (PRESAL) is helping to reform the health care system in Argentina. In addition, the Inter-American Development Bank (IDB) will finance the construction of four state-of-the-art regional hospitals.

Argentina: Health

Birth Rate	18/1,000
Death Rate	7/1,000
Life Expectancy - Male	73
Life Expectancy - Female	80
Infant Mortality	12/1,000
HIV/AIDS Cases	130,000
HIV/AIDS Prevalence Rate	7/1,000
Tuberculosis Rate	39/100,000

Economy

Argentina is rich in natural resources and benefits from a highly literate population (97%). It has an export-oriented agricultural sector (major exports are grains and meat), and a strong and diversified industrial base. Since 2002, the government has built an economic model around a lower, managed exchange rate and subsidies for key industries to protect them from having to compete equally with other country's products. While there are benefits to protectionism for the industries involved, such government policies can strain public finances and discourage private investments.

A booming global economy from 2002-08 has allowed

Argentina: Economics

GDP	\$526 billion
GDP/Per Capita	\$13,100
GDP Growth Rate	8.7%
Unemployment	8.5%
Inflation Rate	8.8%
Exports (billions)	\$56
Imports (billions)	\$43
External Debt (billions)	\$136

Argentina to trade budget deficits for budget surpluses. After a severe economic crisis in 2001, over 50% of the population fell below the poverty lines. By 2007, that number had dropped to a little over 23%. But lax economic policies have returned the country to high inflation. The official rate is at 8% annually. But most economists believe the real rate is closer to 25-30%.

As the 2008 financial crisis has washed over the world, the country is seeing its economy negatively impacted. President Fernandez has announced a series of emergency measures to try to shore up the economy. They include: 1) a \$21 billion public works project, 2) tax breaks for investors with money abroad, and 3) tax breaks for companies that make permanent their unofficial or temporary workers.

Trade plays an increasingly important role in Argentina's development. Since 2002, exports have increased 50%. The country is the world's third-largest exporter of soybeans and the second-largest exporter of corn. But commodity prices are down significantly in 2008 due to a decrease in global demand. This will have a trickle-down effect on the economy. For example, the country's tax collections will be reduced, for it taxes commodity exports such as soybeans.

A positive contribution to the trade picture is Argentina's membership in Mercosur. This is a regional trade bloc that includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela (and also has associations with Bolivia and Chile). Mercosur countries trade freely with each other and impose a tariff of about 14% on products from outside countries. Argentina's trade with other Mercosur countries has increased by more than five times since 1991. Argentina is open to and encourages trade with other countries, but it uses import quotas to protect in-

dustries such as the auto industry from foreign competition.

For the past 60+ years, the financial side of the Argentine economy has been a series of economic mis-steps. A long period of military rule (1956-1983) led to huge foreign debts and hyperinflation. In the 1990s, Argentina used a dollar peg system, to tame the inflation rate. It fixed its currency one-to-one to the US dollar. Such a system reduces the threat of inflation and increases foreign investor confidence in a country's economic stability. Thus, adopting the dollar peg system led to large inflows of foreign direct investment (FDI) and foreign investment in Argentina's financial markets. But with the value of the dollar rising in the late 1990s, Argentina's exports became more expensive. With fewer export sales, Argentina had less access to stable foreign currency, which makes repayment of its foreign debts more difficult. The government began to default on loan payments as the economy collapsed late in 2001. The dollar peg system was suspended and the peso devalued.

Many Argentines blame the IMF for the 2001 economic collapse. As the economy returned to prosperity in 2002-2008, former President Kirchner followed Brazil's lead and paid off its \$9.8 billion loan from the Fund. This act of self-confidence was popular with the public. However, the government was paying an interest rate of 4.2% on its loan from the IMF. It will repay the central bank partly by issuing new debt, which is likely to pay a rate of around 9-15%. Oil rich Venezuela has bought more than \$5 billion in Argentine bonds.

The government has treated private creditors poorly. It has asked them to absorb most of the cost of the peso devaluation. Such a policy does not restore foreign investors' confidence in the economy. Because the government has run a budget surplus for several years, jilted bond holders would like their claims settled. Failure to do so adversely affects the country's ability to attract foreign direct investment. It is estimated that the country still owes the holders of bonds \$29 billion including interest. There is currently no plan to pay those debtors off before 2010.

However, Argentina agreed to pay off its Paris Club debt of \$6.7 billion in late 2008. But it used its central bank reserves to pay off the debt and economists consider this a risky move. Such questionable decisions by the government, along with the global credit crunch,

have revived fears of a new default by Argentina. Capital flight is said to have reached \$9 billion, as people move their funds to safer countries. There is talk that Argentina may be forced to go back to the IMF for a new loan package, something the country is reluctant to do. The IMF requires a country to institute certain austerity measures in order to obtain funding. Many countries have come to resent such interference in their ability to govern, especially in Latin America.

Argentina is a member of the G20, a forum for the world's richest nations and the largest emerging market economies. In November 2008, the heads of state for the G20 met for the first time to discuss the global financial crisis. In years past, the G7 forum (made up exclusively of developed countries) would have met to discuss any financial crises. The G20 meeting was an acknowledgement that the emerging market countries need to be part of any financial solution. The meeting was an important first step toward: 1) greater and more broadly based coordination of financial markets and 2) an acknowledgement of the need for global capital market standards. But there continue to be vast differences between changes that the developed countries want and changes the emerging market economies hope for. For example, countries like Argentina would like to see reforms instituted for the World Bank and the IMF. However, developed countries are reluctant to make significant changes in their structures. There will be a continuation of this discussion when the G20 finance ministers gather at their previously scheduled meeting in the spring of 2009.

Security

While a notable country in Latin America, Argentina's geographic location has largely isolated it from international conflict. With the largest land area and economy in Spanish-speaking South America, Argentina's influence has historically been more economic and cultural than military.

Argentina was allied with the US and West during WWII and the Cold War, but it took no active role in either conflict. In fact, the impact of WWII was largely positive as demands for Argentine products soared during this period, giving rise to a booming economy. Until recently, Argentina's military has often acted against communist or socialist groups in the post-war period. This practice has stopped under former Presi-

Argentina: Security (Armed Forces)

Military expense as % of GDP (2005)	1.3%
Military expenditures (millions)	\$4,300
Military expense per capita	\$107.50

dent Kirchner. The Falklands War of 1982 is a notable exception to a pattern of non-aggression. Under mounting economic problems at home, the military dictatorship launched an invasion of the UK-held Falkland Islands. The islands, known as the Malvinas in Spanish, had been part of a century-long dispute between the UK and Argentina. Argentina was able to occupy the islands quickly, but the British sent significant armed forces and in a 72-day war were able to reclaim the islands. The campaign was a disaster for the Argentine government, and the country's dictator, General Leopold Galtieri, resigned shortly after Argentina's surrender.

Although there's never been direct conflict, Argentina's relationship with Chile and Brazil has often been tense. These relationships have improved dramatically during the 1990s, however, as greatly increased trade and more stable democracies have strengthened the bonds between these three countries.

Argentina was the only Latin American country to participate in the 1990-91 Gulf War. In recent years, the country has contributed soldiers and policy support to UN peacekeeping operations worldwide. For example, Argentine soldiers were involved in all phases of the 1994 Haiti operation. Its troops are currently serving in the latest UN mission in Haiti. It is currently serving in the UN mission in Haiti. Along with Chile, Brazil, and the US, Argentina is one of the guarantors of the Peru-Ecuador peace process. Argentina has been a strong voice in support of nuclear non-proliferation issues. It is a member of the Board of Governors of the International Atomic Energy Agency (IAEA) and has signed the Nuclear Nonproliferation Treaty and the Proliferation Security Initiative. The country had the first electricity generating nuclear plant in Latin America, built in the 1980s. Initially, Argentina produced its own enriched uranium, but under strong pressure in the 1980s, it agreed to cease production and buy enriched uranium from nations approved to produce it. Howev-

er, this situation is about to change. In February 2008, the presidents of Argentina and Brazil agreed to convene a commission on pursuing joint uranium enrichment for peaceful nuclear energy purposes. Enrichment provides the fuel needed to operate nuclear plants, but can also be central to building nuclear weapons -- a leading international concern regarding Iran's nuclear program. Brazil has had IAEA approval to enrich uranium since 2004.

Argentina has two operating nuclear plants and is seeking to bring another online by 2010 to meet fast-growing energy needs and stave off recent shortfalls. However, most environmentalists say nuclear energy is potentially hazardous, and creates a long-term threat in the form of radioactive waste and the need to store it for thousands of years. Nuclear power plants are also vulnerable to terrorist threats. The international concern is that the more countries that have the ability to enrich uranium, the more likely that a terrorist will eventually gain access to it. It is rumored, for example, that al Qaeda has been searching for nuclear bomb making material for years.

The US war on terrorism is likely to affect Argentina only indirectly. The present administration does not support the US invasion of Iraq. Argentina has participated with the US "war on terrorism" when it affects the South American region. The country has endorsed the Proliferation Security Initiative advanced by the US to prevent shipment of weapons of mass destruction (WMD). The Container Security Initiative, a program of the US Dept. of Homeland Security that provides for selective scanning of shipping containers for WMD components, is being implemented in Argentina. The country is also a member of the Three-Plus-One regional mechanism that focuses on the coordination of counter-terrorism policies in the border region between Argentina, Brazil and Paraguay. These three countries comprise the membership plus the US. This area is a center for arms, drug trafficking, and fundraising for extremist organizations.

As for domestic terrorism, 86 people were killed when a Jewish organization were bombed in 1994. Argentina and Israel claim Hezbollah guerrillas supported by Iran were responsible. The suspects in the case are Iranian citizens. Unfortunately, in 2005 Iran succeeding in obtaining the cancellation of international wanted notices for these suspects. Thus no one has been brought to trial for the bombing.