

Our World

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ARGENTINA

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Since its citizens overthrew a brutal military regime three decades ago, Argentina has transformed itself into a thriving democracy that places a high value on human rights and inclusive economic policies. Despite the shocks of economic crises and the painful struggle to overcome this legacy of repression, Argentina has emerged as a potent force advocating for freedom, fairness and accountability, while forging strong ties with its neighbors in the Americas and across the globe, to share its story and promote these important principles.

Argentina's progression from a military dictatorship to an open society took place through the collective action of its citizens, who in the country's three most recent elections have shown increasing support for the economic and political policies currently being carried out by Cristina Fernández de Kirchner. Beginning with the election of her predecessor and fellow Peronist Party member, former president Néstor Kirchner, each successive election has brought about a stronger popular mandate, starting with Mr. Kirchner's victory in 2003 with 22% of the electorate, increasing in 2007 when Cristina Fernández de Kirchner won 45% of the vote, and culminating with her re-election in 2011 with a record-high 54% of popular support.

Essential to the process of moving forward and establishing good governance mechanisms, the government of Néstor Kirchner began the difficult yet critical task of bringing accountability to members of the military dictatorship who played a part in human rights atrocities that led to the torture and disappearance of 30,000 Argentines.

Since 2003, Argentina has held a series of criminal trials to identify and prosecute the actors who ordered and carried out human rights violations during the military rule of the 1970s and 1980s, commonly referred to as the "Dirty War". This process marked a new beginning for Argentina, ending more than 20 years of impunity. The new legal process also constituted a significant break with the government's policy vis-à-vis perpetrators of state crimes, ushering in a healing process that continues to this day.

Now, under the leadership of Cristina Fernández de Kirchner, Argentina has placed the pillars of truth, memory and justice at the center of its national strategy, which aims to extend the universal rights of education, economic well-being, social inclusion and welfare, health, political and cultural participation, national identity, and independence to underrepresented groups regardless of their age, sexual orientation, race or ethnic identity.

In an exclusive interview with United World, the President discusses regional integration, the global financial system, Argentina's international relations and her vision of its future.

How would you define Argentina's foreign policy model and what have been the main achievements in this matter over the past decade?

The election of Néstor Kirchner as President in 2003 brought a new orientation in terms of Argentina's foreign policy. We have achieved many objectives in this sense. Firstly, we were able to consolidate and strengthen regional integration thanks to the collaboration of our sister nations. Such effort



Cristina Fernández de Kirchner, President of Argentina

An inclusion-based model for growth

President Cristina Fernández de Kirchner explains Argentina's economic development story, the leading role of the country in terms of regional integration, and her views regarding the global financial system

"THERE IS NO SUSTAINABLE GROWTH WITHOUT PEACE AND SECURITY, AND THERE WILL BE NO SUSTAINABLE GROWTH WITHOUT A CHANGE IN THE CURRENT ECONOMIC AND FINANCIAL WORLD ORDER"

resulted in the consolidation of MERCOSUR and the creation of UNASUR and CELAC. The strengthening of regional ties has been very beneficial for all of us. For instance, UNASUR's intervention was fundamental to peacefully overcome difficult situations.

Another constant in our foreign policy is that we have always expressed a firm defense of multilateralism. We believe that true multilateralism is the only way to live in a fairer and safer world. Every single speech we have delivered before the UN General Assembly includes this idea. Within this framework of diplomacy and multilateralism, we have always defended the issue of the Islas Malvinas, a principle we will not abandon. We ask for all countries, regardless of their size, to respect the United Nations' resolutions. Therefore, we ask the United Kingdom to sit down and enter into dialogue with us, as provided in one of UN's resolutions. We shouldn't have double standards.

What is your vision regarding the global financial system and how confident are

you that measures Argentina is planning will help to change the current paradigm?

I am convinced that there is no sustainable growth without peace and security, and that there will be no sustainable growth without a change in the current economic and financial world order.

We have often considered, in various forums, the imperative need for the reform of multilateral credit agencies. We should understand that we live in a multi-polar world, different to the one that existed in 1989 when many believed that our story had ended. However our story continues because our people keep evolving. Emerging countries in South America and in the rest of the world were able to overcome difficult situations and provide millions of people with health, education, housing, and basic rights.

Since 2003 we have been requesting the amendment of multilateral lending agencies and the implementation of reforms in the global financial system. Argentina is a true example of how the monitoring of the economy by the IMF contributed to the economic and financial collapse of 2001. As usual, when the economy implodes the political system is affected.

I am convinced that we will reach the necessary consensus to achieve the changes we have been asking for, because we are not alone in this claim. The UN Resolution 68/304 is an example: it was approved by a large majority of 124 positive votes, 11 negative and 41 abstentions. I also believe that

someday those who voted against the resolution will realize that we need a fairer, well-balanced world, with more doves and fewer vultures in all

"THE UNITED STATES IS CURRENTLY THE SECOND LARGEST INVESTOR IN ARGENTINA; THERE ARE MORE THAN 500 AMERICAN COMPANIES OPERATING HERE AND 60% OF THE LARGEST U.S. COMPANIES HAVE BEEN GROWING AND DEVELOPING CONTINUOUSLY"

fields. What kind of sustainability can the world have if two or three billionaires, pressuring the judiciary system, ensure favorable rulings that give them extortionate profits of nearly 1,680%? How much longer can the world last with this kind of behavior?

What is your assessment regarding the contribution of the UN General Assembly and which topics will be introduced by Argentina in this Assembly?

It is of the utmost importance to reconsider the way global institutions function, especially the UN and its Security Council.

During the 69th UN General Assembly we will insist on the need to put an end to double standards. We must ensure that all nations, large or small,

comply with the UN's resolutions. A clear example of this is the dispute between our country and the UK with respect to the Islas Malvinas. Since 1965

"I AM CONVINCED THAT ARGENTINA HAS ENORMOUS POTENTIAL IN THE THREE DRIVING FORCES THAT WILL DETERMINE THE WORLD'S PROGRESS IN THE 21ST CENTURY: ENERGY, FOOD, AND SCIENCE AND TECHNOLOGY. THE WAY TO EMPOWER THEM, TO COMBINE THEM IN AN INTELLIGENT AND VIRTUOUS MANNER, WILL BE THE KEY TO OUR FUTURE DEVELOPMENT"

many subsequent resolutions of the Assembly and the Decolonization Committee required Argentina and the United Kingdom to dialogue and settle the existing dispute regarding the sovereignty of the islands. However, the United Kingdom has not complied with this resolution.

Furthermore, I will reiterate, as I mentioned during last year's Assembly, that we are also serial victims of those unwritten rules of lobbyists, of rating agencies, and financial

derivatives that speculate like vultures on defaulted countries. This is the story of Argentina; however, it could also become the story of any other country in no time at all. For that reason we need to come up with new rules that regulate the global market and that allow for more intervention. The G20 brought fantastic statements concerning tax havens, rating agencies and capital flows; but the truth is that the world needs global rules for global governance. We would like to see the same respect for countries' sovereignty, with respect for their economy and finance, as we see for the Security Council's resolutions.

What is your vision for the future of Argentina in economic and political terms?

Without a doubt whoever becomes president in 2015 will inherit a better country. Argentina stands on solid pillars not only in terms of economic aspects, but also on a social level. The process that started with Néstor Kirchner in 2003 has created a more equitable country with more rights and opportunities for the people. Argentina is now a fairer country with no pending debts regarding our past.

I am also convinced that Argentina has enormous potential in the three driving forces that will determine the world's progress in the 21st century: energy, food, and science and technology. The way to empower them, to combine them in an intelligent and virtuous manner, will be the key to our future development.

How do you assess the business climate in Argentina and what does the country offer for companies that look at Latin America as an investment destination?

Argentina offers important opportunities for investment, particularly in mining, hydrocarbons and food industry.

We are at a historic moment in which traditional oil states are reviewing their strategies and potential. This is done in a global context where conventional reserves are declining. Argentina is the second country to develop unconventional resources after the United States. I believe this could be the key to future energy development, and the gateway to our unconventional resources is our state-owned oil company, YPF. There are already several projects with Chevron and Petronas in our reservoirs of shale oil and shale gas.

There are business opportunities with China for \$50 billion in six strategic sectors. The sector that represents the largest amount is oil and gas, which requires a \$37 billion investment mainly in Vaca Muerta. Furthermore, we have potential investments in the heavy metallurgical sector of \$5.3 billion, while in the mining sector we signed more than 30 investment agreements in mining projects for \$3.8 billion, many of which are passed their initial phase.

The United States is currently the second largest investor in Argentina; there are more than 500 American companies operating here and 60% of the largest U.S. companies have been growing and developing continuously. In addition, China has moved from being the 29th investor in the country to taking third place. Obviously we are an attractive country.

For the full interview, visit www.worldfolio.co.uk

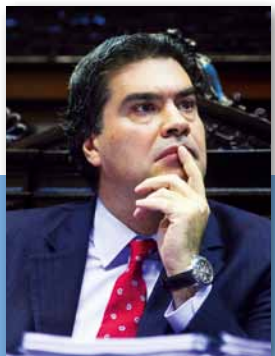


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Future growth prospects: robust, sustainable, diversified

Though the current local and international landscape present some challenges for Argentina's economy, the country sits on a solid base that can boost future growth. This will be driven by investment in infrastructure, energy, industry and ICT



"THE CHALLENGE IS TO CONTINUE INCREASING THE SPEED OF INDUSTRIALIZATION"

JORGE CAPITANICH, Chief of the Cabinet of Ministers



"IT IS A MYTH THAT ARGENTINA IS ISOLATED FROM THE WORLD"

AXEL KICILLOF, Minister of Economy and Public Finance

Few countries can match Argentina's record of economic and social progress over the past decade. Beginning back in 2003, when then-president Néstor Kirchner introduced a new set of policies focused on economic development and social inclusion, South America's third-largest economy has expanded at an average annual rate of 7%, while also seeing record gains in its domestic industry and a doubling of the size of its middle class, according to figures from the World Bank.

While the country's short term prospects may have dampened, the legacy of the program begun by Néstor Kirchner, and continued today by current president Cristina Fernández de Kirchner, has given Argentina a solid foundation for stable and long-term growth.

"We are faced with three main challenges going forward," explains Jorge Capitanich, Chief of the Cabinet of Ministers. "The first is achieving energy independence."

After the discovery of Vaca Muerta, a shale formation the size of Maryland that holds at least 23 billion barrels of oil, and the inking of multimillion-dollar deals with Chevron and Petronas, Argentina's hydrocarbons sector has set the stage for a new chapter of exploration and production.

"The second challenge," Mr.

PER CAPITA INCOME HAS CLIMBED 245% OVER THE LAST 10 YEARS, RAISING ARGENTINEANS' STANDARD OF LIVING AND PURCHASING POWER. ARGENTINA NOW HAS THE HIGHEST CONSUMPTION INDEX IN THE LATIN AMERICA

Capitanich says, "is to continue increasing the speed of industrialization in order to reduce imports, boost exports and achieve a new framework that allows for the creation of more jobs and even better salaries."

Argentina has made significant gains on this front as well. Per capita income has climbed 245% over the last 10 years, raising Argentinians' standard of living and purchasing power. Argentina now has the highest consumption index in Latin America, averaging 7.2% compared to Brazil's 3.7% and Mexico's 2.8%.

"The third big challenge," Mr. Capitanich adds, "is to ensure macroeconomic stability based on integrated infrastructure, to strengthen competitiveness and attain

real, long-term income gains." To help achieve this goal, Argentina has put in place an ambitious plan to attract investment and foster development in its energy, manufacturing and telecommunications sectors.

Government policies, operating in concert with private sector activities, helped foster the past decade of advances, and will be essential to stimulating future economic activity, Axel Kicillof, Argentina's Minister of Economy and Public Finance, argues.

"No country in the world has been able to develop or become industrial without the State's decisive participation," he explains. "Not over the private sector, or instead of it, and not drowning it, but a decisive participation. When there are problems like poverty, lack of infrastructure, housing, etc. that affect not only the quality of life but also the economy's competitiveness, the direction of the State's policies is essential."

This directive helped Argentina boost private investment to the highest levels of the past 50 years, averaging 21% growth since 2003.

In line with the strategy of fostering a more dynamic business climate, the Fernández de Kirchner government launched an initiative that aims to increase the profile and capacity of Argentina's diverse regional economies. The goal is to incentivize

internal competitiveness, diversify Argentina's productive base, and strengthen its economy as a whole.

"We have seen that this stimulus to the regional economies favors certain types of products, from apples, pears, olives and vineyards to cotton and other types of regional crops that are showing a significant uptick in activity and export requests," Mr. Capitanich explains.

Altogether, the regional economies initiative has partnered 36 distinct value chains with 146 organizations working on providing financial backing totaling more than \$1 billion. "The first projects are being implemented and we achieved agreements with provincial governments, legislatures and industrial sectors to promote shareholding arrangements, structured financing, and interest rate subsidies to encourage private investment and job creation," Mr. Capitanich adds.

Foreign investment represents another area of strength that policymakers are looking to build on. "The strong growth rate that Argentina has shown... is something that the private sector in general and the foreign companies in particular have benefited from," Mr. Kicillof, the Economy Minister, notes. "Argentina has been a very profitable business space where there has been a lot of investment from foreign and

private companies. There are American companies, from the industrial and financial sectors, who have business interests in the country. It is a myth that Argentina is isolated from the world and that it doesn't have any foreign participation in its economy."

"We are open to all those who want to take chances in

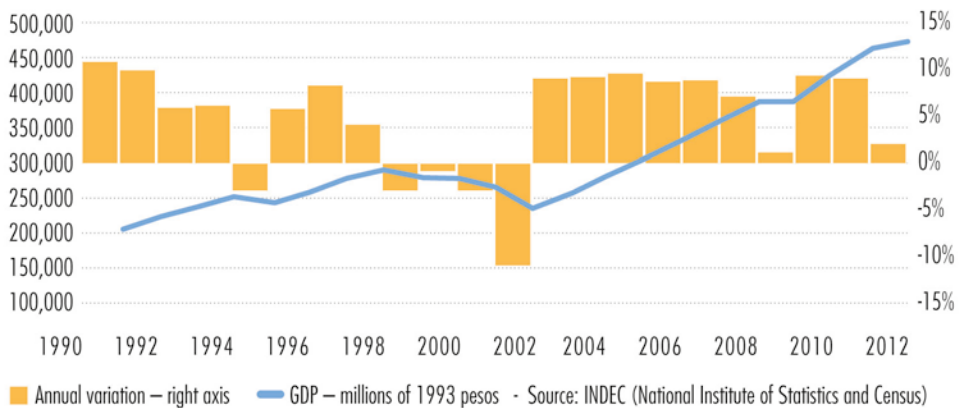
GOVERNMENT POLICIES, OPERATING IN CONCERT WITH PRIVATE SECTOR ACTIVITIES, HELPED FOSTER THE PAST DECADE OF ADVANCES, AND WILL BE ESSENTIAL TO STIMULATING FUTURE ECONOMIC ACTIVITY, ARGENTINA'S MINISTER OF ECONOMY AND PUBLIC FINANCE ARGUES

Argentina and make genuine and productive investments," Mr. Kicillof concludes. "They will find a government that will support those investments and that will give them all the guarantees they need to keep on working, as long as the activities that benefit the private investor, whether local or foreign, also benefit the Argentinean people."

GROWTH

The GDP at constant prices, expanded an average of 2% annually between 1991 and 2002. From 2003 to 2012, it grew at a rate of 7.2%

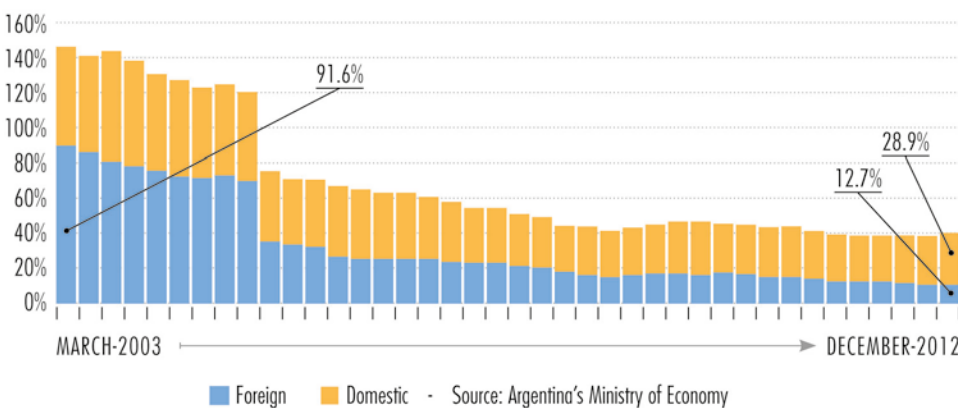
GDP MILLION ARGENTINEAN PESOS (AT THE 1993 EXCHANGE RATE) AND ANNUAL VARIATION



PUBLIC SECTOR DEBT REDUCTION

The settling of debts with international creditors allowed Argentina to reduce its foreign debt. At the end of 2012, it stood at 12.7% of the GDP

FOREIGN, DOMESTIC AND TOTAL OF NON-FINANCIAL NATIONAL PUBLIC SECTOR DEBT - Accum. 4 quarters, in % of GDP



The nation's deleverage history

After the hampering default of 2001, Argentina implemented a successful debt management strategy under the premise that it was necessary to resume economic growth in order to be able to service debt

In a rare showing of consensus in the global financial community, the International Capital Market Association – a group representing more than 400 of the world's largest banks, investors and issuers of debt – agreed in August to a new framework for sovereign defaults that would avoid a repeat of the current impasse between the Argentine government and a small group of vulture funds.

The plan speaks volumes about the nature of the dispute, which has increased economic hardship on millions of Argentinians and sent ripples across the global economy. The new rules set a precedent that would make it much more difficult to undermine large debt restructuring deals, such as the ones offered by Argentina in 2005 and 2010 and agreed to by the vast majority of its bondholders.

The ruling by a New York court in July of this year that barred Argentina from making payments on this restructured debt has been widely criticized by economists such as Nobel Prize winner Joseph Stiglitz – who likened the court's decision to "throwing a bomb into the global economic system."

"We have received broad support from the international community, from the meeting of representatives of the Organization of American States, to the G-77 plus

China, 134 countries have decisively and decidedly supported Argentina's position," says Jorge Capitanich, Chief of the Cabinet of Ministers. The international groundswell comes in the face of increasing litigation from groups of investors with oftentimes narrow agendas, but who nonetheless can place a country's financial future at risk and jeopardize the global economy.

In recent years, 50% of sovereign restructurings triggered lawsuits, according to a 2013 study. Demonstrating the dangerous precedent that this sets for cash-strapped nations, small groups of private investors in countries such as Greece, Congo, Ecuador, Iraq, Peru and Poland have rejected debt restructuring plans, instead demanding full repayment, according to a report in the Financial Times.

"In 2001, Argentina experienced the largest default in the history of mankind, and we are still working hard to reverse that situation and we are dealing with things we inherited from that time, like the vulture funds," says Axel Kicillof, Argentina's Minister of Economy and Public Finance.

"This government has been able to solve everything except for that problem, which would constitute the last link in the general reorganization that came after the 2001 default and the normalization of Argentina's international financial situation."

EARLIER THIS YEAR, THE GOVERNMENT SETTLED A \$9.7 BILLION DEBT TO THE PARIS CLUB OF CREDITOR NATIONS, AND REACHED AN AMICABLE AGREEMENT WITH SPANISH OIL COMPANY REPSOL BY AGREEING TO A \$5 BILLION COMPENSATION PACKAGE FOR ITS CONTROLLING STAKE IN YPF

"The Republic of Argentina has paid \$190 billion of principal and interest on its debt over the past 11 years, reduced its external debt held by foreign private investors to 9% of GDP, regularly meets its financial obligations with multilateral credit institutions as well as regularly servicing its restructured debt," adds Mr. Capitanich.

Argentina's policymakers frequently point to these and other significant strides that the country has made since its 2001 default. Earlier this year, the government settled a \$9.7 billion debt to the Paris Club of creditor nations, and reached an amicable agreement with Spanish oil company Repsol by agreeing to a \$5 billion compensation

package for its controlling stake in YPF.

"It's very important to underline that since the leadership of Néstor Kirchner, the Republic of Argentina never stopped paying its debt to multi-

lateral credit institutions," Mr. Capitanich affirms. "It meets them regularly and will continue to do so."

This commitment will be essential, as Argentina looks to open itself back up to international capital mar-

kets and institutions like the World Bank and International Development Bank to help finance the infrastructure and development projects that will help to boost its economy and raise its citizens' standard of living.

"We have reduced our debt so much that our external debt doesn't stop us from implementing other policies," Mr. Kicillof continues. "We have liberated ourselves from external debt as the main factor that guides the economy's main policies."

Yet the problem posed by sovereign creditor litigation remains, and poses a serious threat to countries that may face fiscal difficulties in the future. "We aren't going to risk the future of the Argentine people and we aren't going to choose the easy path that can bring negative or unexpected consequences to the next government and population," Mr. Kicillof concedes.

"We trust the world will do its part to reach a reasonable solution to the problem and so that it may go on record that negotiating sovereign debts from a speculative point of view isn't viable and that it generates extraordinary profitability for a tiny group of people and, what is worst, it creates the risk of undermining the general financial health of a country. Argentina won't give in to speculative attacks and it will solve this problem."



Argentina has paid \$190 billion of principal and interest on its debt over the last 11 years



Clear, categorical and broad international support for Argentina

While enjoying strong international support for its stance in its dispute with speculative funds' holdouts, Argentina's government is working towards strengthening business and trade ties with world

Héctor Timerman – a former journalist and human rights advocate, and now Minister of Foreign Affairs and Worship – is gaining strong international support for his stance against speculative funds that he says impede Argentina's economic recovery.

"Vulture funds see the situation strictly as a legal dispute, analysts see it from an economic perspective," says Mr. Timerman. "But for Argentina it is, first and foremost, a political matter that naturally encompasses the two. It's a matter of foreign policy."

While vulture funds seek repayment for the face value of Argentine debt purchased at a greatly reduced rate, Mr. Timerman is seeking to change the rules for repaying the debt to escape the crush-

ing cycle of inflation and poverty that developing countries find themselves in.

"Our dispute with the vulture funds is defined by the broader context that pits the culture of production against the culture of speculation, which with the 2008 crisis motivated the G20 governments to organize themselves to try – with relative success – to deactivate a financial system that offers more encouragement for speculation than it does for productive investment," says the Minister. "Like the President said, who could be interested in investing in the real economy when vulture funds obtain profits of 1,600% without even working?"

Argentina has been facing off with some of its debt holders in U.S. courts, and the country's tough stance is gaining support not just from the Latin American countries

that share the same struggle but international organizations like the OAS and countries like China and Russia.

"China understands and supports Argentina's debt restructuring case and we hope the situation will be solved adequately," said Xi Jinping, President of China.

Russian President Vladimir Putin joined the chorus, "Despite the current complicated developments in world economy, we have managed to retain the positive trend in trade turnover between both countries, it has grown 16% over the past year," he said. "Argentina is a very comfortable partner for Russia."

"When you challenge the sovereign debt restructuring system we aren't only talking about money; we are talking about millions of jobs and about the education and health of the children," says Mr. Timerman,

who was appointed to the post of Minister of Foreign Affairs and Worship in 2010.

Mr. Timerman takes pride in the leadership role Argentina has taken in unifying Latin America and the Caribbean on economic and political matters, while respecting the unique voices of each country.

"Argentina's foreign policy vision is to achieve as many agreements as possible in all of Latin America and the Caribbean," he says. "Our regional integration should be interpreted not just as a natural consequence of our cultural and historical similarities, but linked to our need for development to avoid being trapped in a model that condemns us to only being raw materials producers without any added value."

Argentina has taken a more active role in its economic alliances with MERCOSUR (Brazil, Paraguay, Venezuela,

Uruguay and Argentina) and BRICS (Brazil, Russia, India, China and South Africa).

"Venezuela and Bolivia are two countries that contribute a surplus power grid to the block," says Mr. Timerman. "MERCOSUR has gone from a strictly economic link to a political and social link. We have been able to establish social standards and a common identity."

These relationships have helped Argentina achieve greater visibility and strength on the world stage.

"We began thinking openly and creating relationships with countries that were going through processes similar to ours," says Mr. Timerman. "Argentina used to be linked to Africa and Asia through Europe or the United States; today we communicate directly with them on political and commercial matters."



"ARGENTINA'S FOREIGN POLICY VISION IS TO ACHIEVE AS MANY AGREEMENTS AS POSSIBLE IN ALL OF LATIN AMERICA AND THE CARIBBEAN"

HECTOR TIMERMAN, Minister of Foreign Affairs and Worship



President Cristina Fernández de Kirchner was an invited guest at the 2014 BRICS summit held in Brazil last July, a sign of Argentina's close ties with the group



"WE DEVELOPED OUR INTERNAL MARKET AND MADE IT MORE DYNAMIC THANKS TO A MACROECONOMIC POLICY ORIENTED TOWARDS PRODUCTION"

DEBORA GIORGI, Minister of Industry

Government aims to increase and diversify the export base

The revival of the domestic industry based on an import-substitution and export promotion model has created over seven million jobs, reducing the unemployment rate to one digit

Over the past decade, even as the world economy suffered the shocks of the financial crisis, Argentina has continued to improve its economic prospects through a bold "re-industrialization" plan that has seen manufacturing activity expand at an impressive 7.5% annual rate from 2003-2012, while helping to create millions of jobs and to lower the overall unemployment rate from a peak of over 22% in 2002 to about 7% currently.

"A reindustrialized Argentina is the center of a political decision that began recovering jobs, improving people's purchasing power, giving new value to science and technology and developing a federal concept regarding investment," explains Débora Giorgi, Argentina's Minister of Industry. "We developed our internal market and made it more dynamic thanks to a macroeconomic policy

oriented towards production and not the development of financial speculation."

The development of small businesses has taken on special significance within this framework, as the public sector seeks to promote economic inclusion and tackle income disparity while growing the economy. To facilitate these key areas of growth and development, state-backed financing has proven to be an effective tool. Since 2011, the National Support Program for Young Businessmen financed 3,988 projects at a 0% interest rate to be paid in

CURRENTLY, 60% OF NEW SME'S IN ARGENTINA ARE OWNED BY YOUNG PEOPLE, AND 33% OF THESE ARE FOCUSED ON MEDIUM TO HIGH TECH GOODS AND SERVICES

five years. This program, and other similar initiatives, has helped foster a new entrepreneurial spirit in Argentina. Since 2003, Argentina saw

229,000 new small and medium enterprises created, out of which 23,000 operate in the industrial sector. To help accomplish this, added priority was placed on the empowerment of young people and entrepreneurs, which are seen as the key to have a vibrant small business sector. Currently, 60% of new small and medium enterprises in Argentina are owned by young people, 33% of which are focused on medium to high technology goods and services. In addition to financing, the government supports small busi-

nesses by helping them to build high-tech capabilities through various initiatives, like the one that provides incentives for experienced industrial designers to join small businesses, helping to spread their knowledge and expertise for the benefit of the sector and the economy as a whole.

"This is an inclusive industrial process," adds Ms. Giorgi, "not only because of the 6 million jobs it generates, but also because certain sectors have diversified."

In another encouraging sign, foreign investors, in-

cluding some of the biggest American corporations, have made substantial bets on Argentina's economy. Walmart increased its presence in the country nearly tenfold, from 11 branches to 100, investing \$800 million over a six-year period. Similarly, P&G, DirecTV, IBM, Ford, GM and John Deere have all made multi-million dollar investments in Argentina in recent years, which together total well over \$1 billion.

"An Argentina with a booming internal market, which creates employment and increases the workers' productivity, [has] appeared," emphasizes the Industry Minister. "A strong presence of the State in terms of investment creates a public-private link that is indispensable to achieve the industrial level we've got. The private sector's support and companionship was key."

Argentina

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ARGENTINA EMBRACES US

Presidencia de la Nación

A focus on infrastructure

During the last decade the national government has invested heavily in modernizing national infrastructure in order to support the country's economic growth. Now is the time to form PPPs that pave the way for energy independence

Former president of Argentina Néstor Kirchner saw government investment in infrastructure as a key tactic for encouraging job creation and alleviating poverty. His successor, Cristina Fernández de Kirchner, continued this policy, and the national government invested heavily in the modernization of Argentina's infrastructure, particularly roads and electricity production and distribution. It also fostered a climate in which business could thrive.

These measures helped the country's economy grow for 10 consecutive years. Now the nation is poised for the formation of public-private partnerships to pave the way



National Route 40, or Ruta 40, spans more than 3,100 miles and connects 11 provinces

THE TWO NUCLEAR POWER STATIONS ATUCHA I AND EMBALSE HAVE BEEN IN OPERATION FOR DECADES. A THIRD STATION, ATUCHA II (RENAMED "PRESIDENTE NÉSTOR KIRCHNER"), PRODUCED ENERGY FOR THE FIRST TIME IN JUNE THIS YEAR

for energy independence and greater competitiveness.

One sign of Argentina's economic recovery is the amount of cars on the nation's roads. In 10 years, the number of cars has more than doubled, from 5 million to 12 million. With this increase it is evident that road and highway development is continually needed,

and in response the Fernández de Kirchner administration has rebuilt nearly 24,000 miles of the national road network.

The Rosario-Córdoba Highway, which is 255 miles long, was planned in 1960 to connect the country's second- and third-largest cities, but not until recently was the highway completed, in 2010.

And Argentines in 11 provinces are connected by the 3,100 miles of National Route 40, sometimes called the country's backbone.

Due to the revitalization of domestic industry and the increase in citizens' purchasing power, the government is addressing an energy deficit. "Argentina's household energy

consumption doubled between 2003 and 2014... a clear indication that the quality of life for Argentines has improved," says Julio de Vido, Minister of Federal Planning, Public Investment and Services.

In 2009, Argentina's Congress passed a law categorizing nuclear energy projects as being a matter of national interest, showing the government's commitment to the peaceful use of nuclear energy. Two nuclear power stations, Atucha I and Embalse, have been in operation for decades. A third station, Atucha II (renamed "Presidente Néstor Kirchner"), produced energy for the first time on June 3 this year; already at 50% of its capacity, it's expected to reach 100% very soon.

Mr. de Vido and Axel Kicillof, the Minister of Economy and Public Finance, are working to secure funding, equipment and service provisions for construction of a fourth nuclear power station, Atucha III, which will use a CANDU reactor, natural uranium, and heavy water to create a capacity of approximately 800 megawatts.

With modernized infrastructure and increasing nuclear power potential, Argentina is positioned well for public-private partnerships.



"THE QUALITY OF LIFE OF ARGENTINEANS HAS INCREASED SINCE 2003"

JULIO DE VIDO, Minister of Federal Planning, Public Investment and Services



"THE BUSINESS CLIMATE HAS BEEN AND STILL IS VERY GOOD"

FLORENCIO RANDAZZO, Minister of Interior and Transportation

The transport revolution begins

The Ministry of Interior's successful digitalizing of the national registry puts Argentina on the highway towards a transport revolution

When Cristina Fernández de Kirchner appointed Florencio Randazzo as Minister of the Interior in 2007, Mr. Randazzo knew he had a challenging road ahead. The country's previous president, Néstor Kirchner, had made considerable progress in improving the country's economic status and addressing human rights violations, but many areas still demanded attention.

Argentina's national registry was one such area, and the Minister tackled it straight

away. Previously, to receive a passport or an ID card, citizens of Argentina had to visit offices and wait in line for hours for paperwork to be handled manually. In 2009, the Ministry of Interior introduced the new digitized ID system, called Nuevo DNI, which processes paperwork much more quickly. Moreover, as of June this year, Argentines can apply for the Nuevo DNI online. More than 32,000 people got their new ID on the very day the service was launched.

Citizens can also acquire the New Passport, which has world-class security including a microchip, with little waiting.

The new minister's success with the national registry led him to tackle Argentina's transportation sector. In 2012 President Fernández de Kirchner transferred the Secretariat of Transport's responsibilities over to the Ministry of the Interior, thus forming the Ministry of Interior and Transport. Among the first things the newly expanded ministry did was to create the Metropolitan Transport Authority, coordinating work by the ministry, the Province of Buenos Aires, and the Buenos Aires city government for maximum efficiency and efficacy. Next, came the implementation of

the SUBE card, a prepaid card valid for all public transit.

The next bull to take by the horns was the nation's railway system. Around 400 rail cars were in service at the time; the system acquired 1,260 more, essentially tripling transportation capacity and improving comfort and security. The government is also in the process of repairing deteriorating railways neglected by prior private owners. Rail stations and signaling systems are being upgraded, and security measures such as the installation of cameras in operators' cabs, are being implemented.

The Sarmiento line, one of

the most heavily used lines in Buenos Aires, is the target of the largest share of this investment. However, the Ministry's focus goes beyond the capital; it has also started a revolution in railways that connect Buenos Aires with crucial hubs such as Rosario or Mar del Plata, both for passenger and cargo transportation.

A similar process has been underway at Aerolíneas Argentinas, a privately-managed airline President Fernández de Kirchner nationalized in 2008 when the company was near bankruptcy. Dr. Fernández de Kirchner appointed as President and General Director Dr. Mariano Recalde, who decided that investing, rather than cutting costs and services, would lead to profitability. His five-year plan had three goals: increase the airline's operations; be cost-efficient; and increase the level of service.

Thanks to its fleet of 65 new planes, up from 26 aircraft (with an average age of 20 years) under private management, passenger numbers jumped from 5 million in 2008 to over 8 million in 2013. Meanwhile, the state budget allocated to maintaining the flagship airline was cut in half. Dr. Recalde says that the goal for 2018 is to add yet another 17 airplanes to the fleet, giving it



"WE DETERMINED THAT THE SOLUTION WAS NOT TO TRY TO CUT OUR COSTS BUT TO ENLARGE THE COMPANY"

DR. MARIANO RECALDE, President of Aerolíneas Argentinas

an average age of five years.

"I am convinced that we are doing a good job and that it is productive for the country," says Dr. Recalde.

"I am a true optimist," adds Mr. Randazzo. "As Argentines, we have to make a personal effort, each one of us, to respect the law and recover our values, and we will then be capable of facing challenges and resolving them in the best possible way."



Seven rail lines, totaling more than 500 miles, serve the greater Buenos Aires region

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A paradigm shift in the energy sector

After the 2012 nationalization and under the management of Miguel Galuccio, YPF is showing consistently solid, positive results

The re-nationalization of Argentina's flagship oil company, in 2012, brought about much speculation and hand wringing in the media. After two years however, it's hard to argue with the results. In its quarterly financial report released in early August, YPF showed significant and sustained improvements in production as well as in its bottom-line. Profit for the quarter rose nearly 40%, compared to the previous year, reaching \$184 million, while both oil and gas production increased for the fifth consecutive quarter. Meanwhile, oil production ticked up nearly 6% and natural gas output jumped by about one-third over 2013, bringing overall hydrocarbon output up nearly 16%.

YPF has posted impressive profit growth in the past several quarters. In the first quarter of this year, profits soared 129%, compared to the same period in 2013, while in the fourth quarter of 2013, profits climbed 88% over the previous year.

The solid financial numbers buoyed sentiments among investors in particular, as company shares on the New York Stock Exchange traded at more than double price levels from this time last year. But for YPF's nearly 16,000 direct employees – a number that swells to 44,000 when including people employed indirectly – as well as for its executives and for a great number of Argentinians, the turnaround has helped restore a sense of hope and a deep pride in the company that has long been at the



As of March 2014, YPF accounts for 41% of hydrocarbon production in Argentina

center of the country's political and economic landscape.

Founded in 1922 under President Hipólito Yrigoyen, YPF was the first oil company established as a state enterprise outside of the Soviet Union, and the first state oil company to become vertically integrated. YPF was privatized in 1993 and bought by the Spanish firm Repsol S.A. in 1999. The resulting merger produced Repsol YPF.

After a period of stagnant production, Repsol YPF came under increasing fire, as critics claimed the company failed to adequately invest in new sources of output. A number of prominent figures in Argentina's public sector, including the President, federal lawmakers and governors from oil producing provinces, contended that the company's strategy had focused too much on short-term profits, at the expense of long-term growth. The

company had suffered from a management strategy, they argued, that lacked a vision and focus for Argentina.

So in 2012, President Cristina Fernández de Kirchner moved to place the firm back under the leadership of the public sector.

The plan proved politically popular, with the Argentine parliament approving the measure in overwhelming numbers, while opinion polls showed broad public support as well. Currently, the shareholder structure of YPF has 51% belonging to the federal government and 49% held in free float (the company trades in the NYSE as well as the Buenos Aires Stock Exchange), in this new era as a mixed company.

So far, YPF's new leadership, headed by CEO Miguel Galuccio, has made good on its pledge to develop future prospects. A sign of its renewed commitment to

exploration and production, YPF's spending rose 67% in the second quarter of 2014, compared to the previous year. "The government understands and feels the need to stimulate the oil and gas industries," Mr. Galuccio explains. "Argentinians have the need to stop importing and start producing our own."

Taking over at the behest of President Fernández de Kirchner in 2012, Mr. Galuccio immediately began working to change the mindset of the company and to establish a sense of common purpose. "When we took over YPF we had to redefine the company's DNA to revert the previous 10 years of disinvestment," the chief executive continues. "The capacity of generating value is the capacity for investment; it is the engine that makes us grow. We have doubled the amount of our investments and tripled the perforation teams, and that

has generated a lot of employment, production and, therefore, profit for the company, which favorably affects those who have supported YPF and the country in general."

Despite sitting atop a state-owned company, Mr. Galuccio has aimed to bring a private sector mindset to YPF, evaluating personnel first and foremost according to results and raising the bar for expectations. Today, YPF remains as indispensable to the country's energy future as it has ever been. After taking over Apache Corporation's Argentinean operations in February this year, YPF now represents 41% of the hydrocarbon production in Argentina, and accounts for more than half of the fuel sold in the country.

"Because YPF is a national company, it is engaged in changing the country's energy paradigm," Mr. Galuccio adds. "We are working on modifying the hydrocarbon bill, which will make things more foreseeable in fiscal and legal terms, and in the transparency of the bids."

Energy security has become a central question for the health of the Argentine economy. Strong growth, the increase in workers' purchasing power, and the revival of domestic industry have all placed escalating pressure on energy sources. While Argentina once exported petroleum products, in 2011, it became a net importer of energy for the first time since 1984, and the country now spends upwards of \$10 billion each year bringing in supplies from faraway producers.

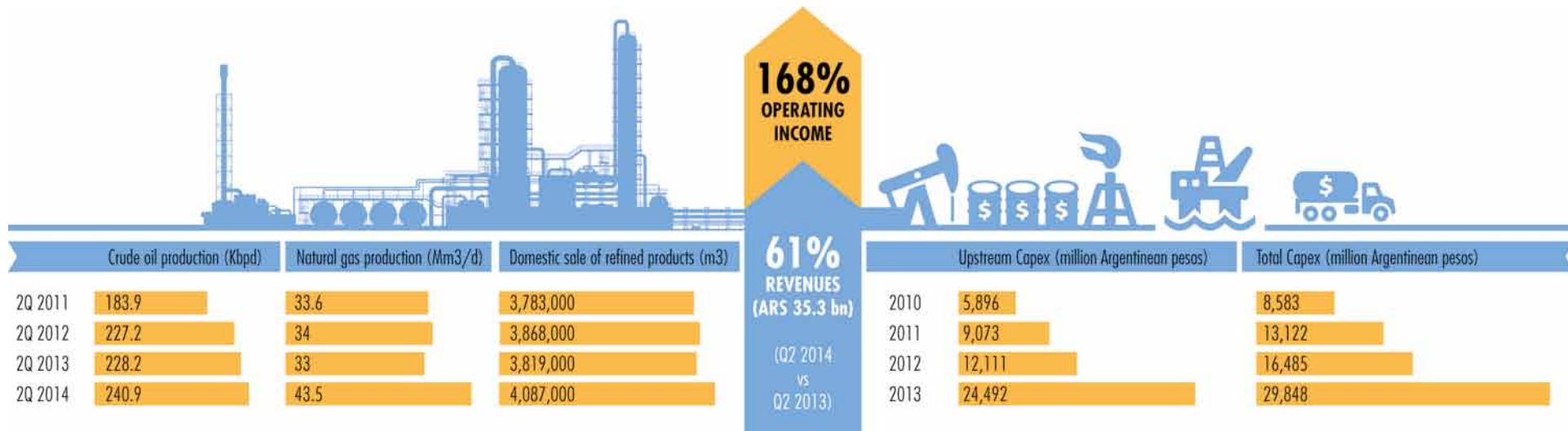


"WE ARE WORKING ON MODIFYING THE HYDROCARBON BILL, WHICH WILL MAKE THINGS MORE FORESEEABLE IN FISCAL AND LEGAL TERMS"

MIGUEL GALUCCIO, CEO OF YPF

"The country is deficient in terms of energy and it costs the State a lot of money – money that could be used for other things," Mr. Galuccio emphasizes. "Our job is to revert that situation, to be leaders in the changes the oil industry must make."

With the hopes of a nation wrapped up in its projects, YPF has determined to post quantifiable achievements. "Everyone who supported YPF is now getting positive results," Mr. Galuccio goes on. "We have destined most of our profits to new investments, and at the same time we have paid dividends of 5% and 8% in the past two years, which is a good figure for a company that is beginning to grow."



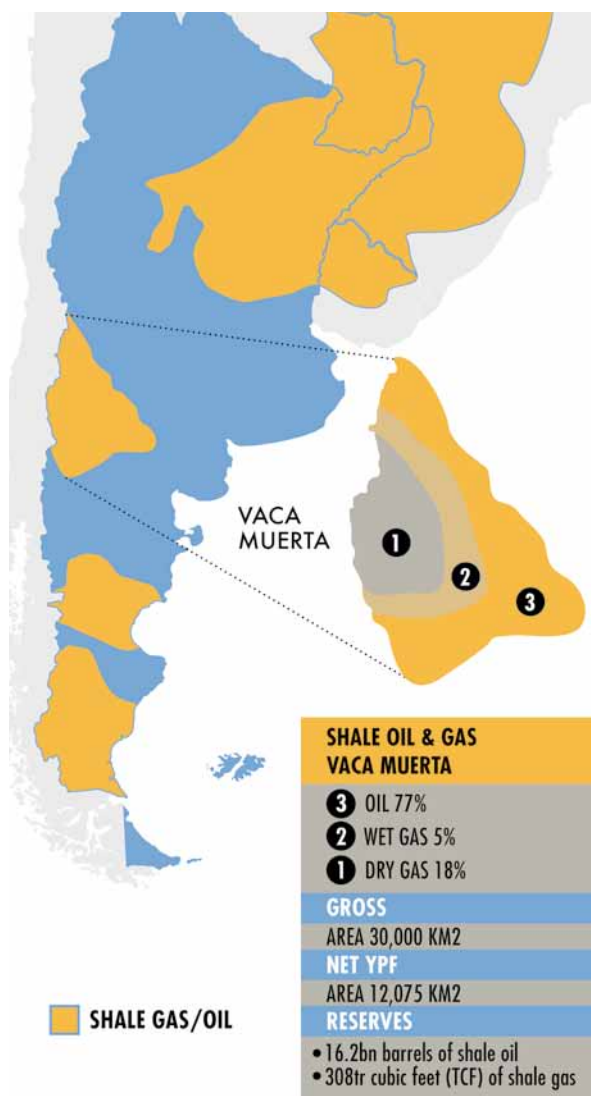
YPF to lead the development of unconventional energy

Argentina sits on America's second largest reserves of shale gas. While the global energy landscape is shifting towards unconventional resources and offshore drilling, the industry looks at Argentina as a sound investment opportunity

As YPF looks forward to a new chapter in its history, it does so at a time of historical transformation in the global oil and gas industry, as producers move to tap the tremendous potential of so-called unconventional sources of oil and gas that lie trapped in shale deposits. One of just a handful of countries to possess such resources, Argentina boasts one of the largest unconventional oil and gas formations in the world.

As many oil producing countries witness stagnant or declining production at mature conventional fields, the focus has shifted toward offshore and unconventional prospects. The ability to tap shale formations with new technology has already revolutionized the hydrocarbons industry in the U.S., helping the country to add nearly 3 million barrels of oil per day to its total production. It has also placed the U.S. on track to surpass Saudi Arabia as the world's largest oil producer, according to the International Energy Agency, while adding an estimated 2 million jobs and \$300 billion to its economy, according to market research firm IHS.

As this technology and expertise makes its way to the rest of the world, Argentina stands to become an impor-



tant source of new energy in the hemisphere, and the site of significant investment activity.

Argentina ranks second in the world behind China in potentially recoverable shale-gas reserves, with 802 trillion cubic feet, according to the U.S. Energy Information Administration. It ranks fourth in shale oil with an estimated 27 billion barrels, making it one of the largest such basins in the world and the most promising anywhere outside of North America.

YPF has just begun to bring these resources to the market. Its production of shale oil and gas topped more than 32,000 barrels per day, after the drilling of more than 245 wells in Vaca Muerta, where it has 21 active rigs working. In addition, YPF in partnership with Dow Chemical will have also drilled around 16 wells in the El Orejano block in Vaca Muerta, in a shale gas pilot project with an initial investment of \$188 million.

Yet with such a vast deposit that has only recently been explored, this represents a fraction of the overall potential.

"Vaca Muerta is 30,000 square kilometers of which YPF has 12,000," notes Miguel Galuccio, YPF's CEO.

In late August this year, Malaysia's Petronas signed a Term

Sheet with YPF to develop a shale oil pilot project in the 187-square kilometer La Amarga Chica block in Neuquén province, with a joint investment of up to \$550 million. Initially, during the pilot stage – expected to commence in the first quarter of 2015 – more than 30 horizontal and vertical wells will be drilled, and based on the results, it is estimated that the project, once in factory mode, will require an investment of over \$1 billion in the first five years.

For YPF, this move represents its first collaboration with a national oil company in shale exploration.

On the new project, YPF's Mr. Galuccio says, "We're putting into production a resource that can change the energy future of our country. Unconventional activity requires a large capital investment and a strong development of human resources and technology and this partnership represents a new support for this activity led by YPF, particularly for the huge potential that the country has."

After the signing, Mr. Galuccio said: "In line with our Strategic Plan and following the success we are achieving in Loma Campana, we believe it is a huge opportunity for YPF and the country

to add Petronas as a strategic partner, a company with world-class standards and one of the largest producers of oil and gas in the world, to boost the development of unconventional resources in Argentina."

The Loma Campana mention refers to YPF's partnership with U.S.-based Chevron Corp. In July of 2013, the world's third-largest oil company, signed an agreement with YPF to invest \$1.2 billion in the first year in shale development, becoming the country's largest foreign producer of shale oil and natural gas.

In April of this year, Chevron confirmed its decision to continue the joint venture with YPF in order to advance to the large-scale development of unconventional hydrocarbons in Vaca Muerta, after successfully finishing the pilot.

This year alone, both companies will have invested around \$1.8 billion and have drilled more than 200 wells, in addition to the dozens of wells drilled last year in the Loma Campana area inside Vaca Muerta Formation.

The investment represents an initial step in a joint \$15 billion plan, which aims to generate up to 75,000 barrels of oil per day and 3 million cubic meters of gas by drilling 1,400 wells.

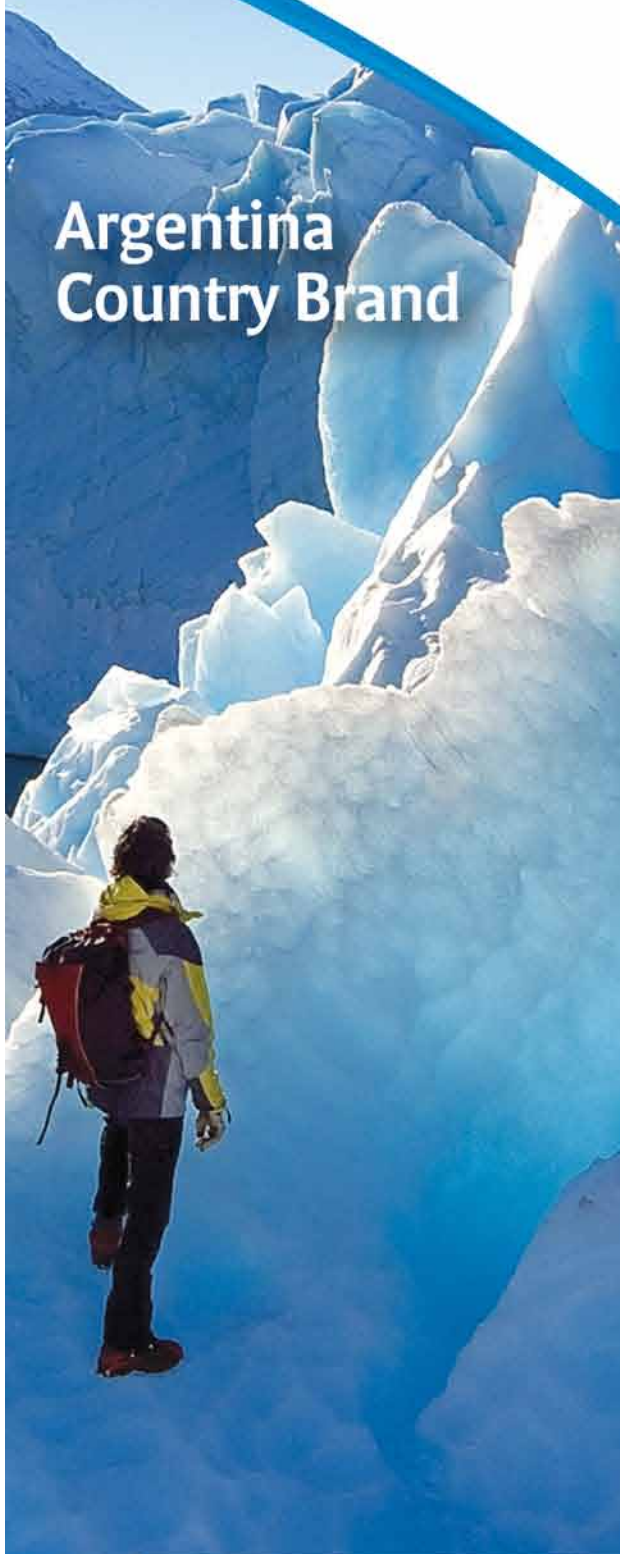


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A nation for innovation – from brain drain to brain gain

The newly created Ministry of Science, Technology and Productive Innovation is heading the transition to a knowledge-based economy, as Argentina's brightest minds come home to support the country's renewed focus on innovation and technology



Technopolis is Latin America's largest permanent science, technology, industry and art exhibition

After decades of brain drain, Argentina is moving to establish itself as fertile ground for innovation and research with the creation of a Ministry of Science, Technology and Productive Innovation that is playing a key role in the country's economic development.

"Traditionally politics had pushed science into the background," says Dr. Lino Barañao, who was appointed to the newly created post in 2007. Establishing the ministry was a milestone for a nation whose politics once drove their brightest minds to study and work elsewhere.

"There were alternative periods like in the last military dictatorship where scientists were considered dangerous, or dismissible and pointless as they were thought of in the 90s. There was also a migration wave for economic reasons," says Dr. Barañao. "Today Argentina has reversed that trend; we have the highest number of scientists per 1,000 inhabitants in Latin America."

With the creation of the Ministry, came significantly increased funding to its public universities and scientific institutions. Between 2004 and 2014, support tripled, helping to not just stem the brain drain of the 1990s, but also create an environment in which science could flourish.

The government is currently looking at creating a bureau dedicated to managing patents, a potential source of significant revenue.

"Our job is not only to protect what has already been produced but to let it be known that even the most basic research, if original, can bring the country great economic and social benefits" says Dr. Barañao.

The renewed commitment to science is integral to Argentina's future, says the Science and Technology Minister.

"The President's political decision was that the Ministry wouldn't only have a cultural or intellectual purpose, but that it would also contribute to the country social and economic development."

Last year, the Minister along with Argentinean President Cristina Fernández de Kirchner launched "Innovative Argentina 2020", a national research and development strategy aimed at raising R&D spending from .65% to 1.65% of GDP, with more focus on stimulating activity in six strategic sectors: energy, industry, health, agribusiness, social development, and environmental and sustainable development. The plan also called for increasing the number of researchers in the country from three to five per 1,000 of economically active adults.

The country is looking to

technology to preserve and maximize its abundant natural resources and in the process address global challenges that loom ahead. "By 2050 there will be 2 billion more people on the planet, which means production will have to increase by 70%. To make that possible we will have to increase productivity, make it more efficient, or increase arable land by 70%, which is completely unfeasible."

"Therefore, we have two main challenges. First, how to work to make industrial agriculture sustainable and then to promote quality work in small scales of new products, and to find appropriate markets for these new products."

Energy is another area that the country is looking to develop for its future needs. While there's no shortage of traditional energy as the

"OUR VISION IS THAT BY HAVING A SOCIETY BASED ON KNOWLEDGE, WE WILL BE ABLE TO REACH A MORE JUST, EQUAL AND DEMOCRATIC SOCIETY"

DR. LINO BARAÑAO, Minister of Science, Technology and Productive Innovation

country has rich deposits of fossil fuels; it is looking to develop its portfolio of renewable energies.

"We are working on wind, geothermal, solar, and thermal," says Dr. Barañao. "We clearly have a diversity we have to attend to, each with its own technology but always keeping in mind that the continued production of energy, together with foodstuff, is one of humanity's greatest challenges."

Among the Ministry's other major initiatives is the Pampa Azul project, which focuses on exploration and conservation activities surrounding the Argentine Sea, one of the country's most valued natural resources.

"We know very little about the sea and the information we had was outdated and scattered," explains Dr. Barañao. "We have to raise awareness by making our presence visible and at the same time work to make the most of the resources from the sea, such as energy and food (fishing). We want to establish that Argentina has the responsibility of watching over all of the valuables in the South Atlantic."

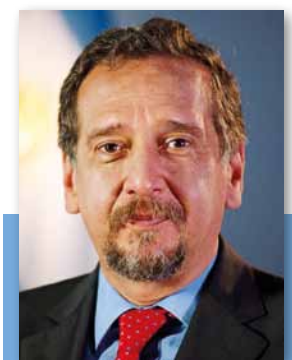
With a vision of becoming a world-class research facility for Ocean Science, the Pampa Azul project is about as expansive as it is ambitious. "It encompasses several areas of government and it's the first interdepartmental project of this magnitude," says Dr. Barañao.

Spearheaded by the Ministry of Science, the program also hopes to develop sea-based industries, and includes participation from several ministries including Tourism, Foreign Affairs, Agriculture, Defense, Environment and Sustainable Development, as well as from a number of scientific organizations and national universities.

Argentina hopes to build on these initiatives by generating productive relationships with international partners like the United States. "It's advantageous to work together to attract the number of professionals we need," says Dr. Barañao. "We send scientists to the United States to do research and they come back with great added value and an experience that contributes significantly to the projects we're developing here."

One of those scientists is Alberto Kornblihtt, a molecular biologist with the University of Buenos Aires and one of Argentina's six foreign associates with the U.S. National Academy of Sciences. Dr. Kornblihtt credits Argentina's public education system for the country's strength in biochemistry and medical sciences.

"Our university system is an open one," he says. "There are no fees for students; all throughout there is a principle



"WE SEND SCIENTISTS TO THE U.S. TO DO RESEARCH AND THEY COME BACK WITH GREAT ADDED VALUE AND AN EXPERIENCE THAT CONTRIBUTES SIGNIFICANTLY TO THE PROJECTS WE'RE DEVELOPING HERE"

DR. LINO BARAÑAO, Minister of Science, Technology and Productive Innovation

that it's open to everybody."

Argentina's initiatives have the scientific community taking notice. The World Academy of Sciences, an international organization that monitors science and technology in the developing world, held its general meeting in Buenos Aires last year and touted Argentina as an appealing place for scientists, calling it a "model for scientific growth in the developing world" in one of its news publications.

More recently, Argentina turned the heads of the international aerospace and ICT community when it became the first Latin American country – and seventh globally – to produce a geostationary satellite.

On August 31, Arsat-1 (the first of three made in Argentina satellites that will eventually take up positions in orbit) was shipped to French Guiana, from where it will be launched into space this fall.

Designed and built by Bariloche-based firm INVAP, the satellite will improve communications throughout Argentina, while providing open access and digital television, according to President Fernández de Kirchner.

Hector Otheguy, General Manager of INVAP, remarked that Arsat-1 has been made possible because "in the 40 years of INVAP, never has there been such support for science and technology as there has been in the past decade."

The country that once dismissed its scientists as "pointless," is now embracing them as architects of a new world.

"Our vision is that by having a society based on knowledge, we will be able to reach a more just, equal and democratic society," concludes Dr. Barañao.



ARSAT-1 is the first satellite of the Argentine Geostationary Satellite Telecommunications System, a plan that involves the design and manufacturing of three satellites and their orbit commissioning and operation by Argentina



A plan that leaves nobody behind

Argentina has been recognized by the World Bank as one of Latin America's top countries in the fight against inequality. Through a number of initiatives aimed at social inclusion, the government is reaching out to those left behind by previous administrations. The creation of AUH (Universal Child Allowance), for example, has pushed overall poverty down more than three percentage points in its first year

While most western countries view social programs as government or public spending, Dr. Alicia Kirchner prefers to call it "social investing."

Dr. Kirchner heads Argentina's Ministry of Social Development, a department that has the challenge of improving the lives of average Argentines – no small task when just over a decade ago, 50% of the country's 40 million-plus population lived below the poverty line.

"In terms of human development we hold the fifth position amongst Latin American and Caribbean countries. This means there has been a considerable qualitative improvement compared to our country's situation in 2003," says Dr. Kirchner, who was appointed Minister of Social Development that year.

Argentina stands out among the developing countries for its public education system, providing children free education from primary school to undergraduate college.

"We have one of the highest percentages of investment in children, with a rate of 8.5% of GDP. It has to do with loving the country and leaving future governments a better legacy," she says.

Furthermore, since the 2009 rollout of the AUH (Universal Child Allowance), families receive payments equivalent to \$55 a month, per child for up to five children. The



AUH, which covered about 4 million children in 2012, has drastically reduced poverty among the country's poorest citizens: one year after the program was launched, the nation's overall poverty rate fell from 26 to 22.6%.

The stipends are contingent upon their attendance in school and keeping up with health care checkups and vaccines. In fact, part of the government's social agenda has been to increase the number of free and compulsory vaccines.

"When we took office, we had six vaccines. We have incorporated 10 more and today we have added another three to the national calendar," says President Cristina Fernández de Kirchner. Moreover, Argentina is the first country in Latin America to incorporate

the triple bacterial vaccine, which protects against tetanus, diphtheria and whooping cough. Overall, spending on vaccines has shot up from \$18 per person in 2003 to \$155, 10 years later.

Children aren't the only beneficiaries of the government's programs; in August 2012, the President launched the SUMAR program, an extension of NACER – two plans that provide free health coverage for up to 9.5 million citizens, from newborns to the elderly. And Argentines seem to share in the spirit of helping one another; the country tops the Latin American list for organ donations and transplants, according to Spain's National Transplant Organization.

While today there are 42.7 donations per million

"WE HAVE ONE OF THE HIGHEST PERCENTAGES OF INVESTMENT IN CHILDREN, WITH A RATE OF 8.5% OF GDP. IT HAS TO DO WITH LOVING THE COUNTRY AND LEAVING FUTURE GOVERNMENTS A BETTER LEGACY"

DR. ALICIA KIRCHNER Minister of Social Development

inhabitants, the number of transplants has also shot up thanks to the government's investment in public hospitals, which has brought the number of hospitals carrying out trans-

plants up to 20 from just eight in 2003.

Meanwhile, building a sustainable pension system is also a top priority for the State.

"One of our first objectives is retirement, making sure that every Argentinean eligible for retirement can actually retire," says Diego Bossio, Executive Director of ANSES, the national social security administration. "Today our rate is 93% we want to make that 100%."

Mr. Bossio suggests that key to the sustainability of the country's social security program is designing a sound tax policy and applying controls to compel contributions.

"Society is more aware of the significance of contributing. This is a result of a long tradition of being true to people and winning their trust," explains Mr. Bossio, noting that since the government nationalized private pension funds in 2008, its assets have grown from \$25 billion to \$50 billion.

"A country's economy should be social; it should exist for the people. And up until 2003 it existed for the banks, for credits," concludes Dr. Kirchner. "We have a comprehensive and interdisciplinary way of addressing our policies. We believe in social investment instead of public spending. We try to go further than just supplying food; we also aim for employment, so that families may organize themselves with dignity and progress."



"A COUNTRY'S ECONOMY SHOULD BE SOCIAL; IT SHOULD EXIST FOR THE PEOPLE"

DR. ALICIA KIRCHNER, Minister of Social Development



"ARGENTINA HAS HISTORICALLY BEEN SENSITIVE TO THE PROTECTION OF SOCIAL RIGHTS"

DIEGO BOSSIO, Executive Director of ANSES

Social housing fuels construction

PRO.CRE.AR is a program which looks into solving the housing deficit while also breathing new life into the construction sector

Argentina is pursuing an economic model that includes a policy of social inclusion to stimulate its economy while improving the lives of Argentineans.

Diego Bossio is the Executive Director of ANSES, Argentina's national social insurance agency, which oversees one third of the national budget and the administering of the country's most important social initiatives, including unemployment insurance and the AUH, or Universal Child Allowance, a program that pays children from poor families a monthly stipend for as long as they remain in school.

"Argentina has historically been sensitive to the protection of social rights, there was a time when we abandoned that, but we made up for it in 2003," says Mr. Bossio. "We recovered

our solidarity standard and now the State spearheads a social inclusion system that is completely different from the privatized and individually focused system that we used to have."

ANSES is behind PRO.CRE.AR, a project that exemplifies the State's ideal of using social programs as an economic stimulus. Working with Banco Hipotecario (the national mortgage bank), ANSES is serving as an escrow fund to help finance home building.

Through PRO.CRE.AR, the government aims to grant 400,000 low-interest loans to help Argentineans – who would otherwise be ineligible for a mortgage – to build, enlarge and repair their homes, or to purchase homes being built under the project's own urban development scheme.

The loans can reach up to 500,000 pesos (\$60,000) and can be paid back over a

period of up to 30 years.

"Argentines want their own home; it's part of our cultural heritage," says Mr. Bossio. "Owning a home is a way that families and society are strengthened, while more jobs are created."

Not only are the loans intended to help Argentineans build and improve their homes, the State also had in mind that PRO.CRE.AR would drive economic activity in the construction sector and generate more jobs directly and indirectly.

It's the same philosophy that determines and shapes ANSES funding strategy. While government bonds are still the main investment vehicles, Mr. Bossio says his team of young, educated economists look to public works and the energy sector for its medium to long-term investments.

"This has meant a transformation at the core of our investment strategy," adds



"ARGENTINEANS WANT THEIR OWN HOME; IT'S PART OF OUR CULTURAL HERITAGE"

DIEGO BOSSIO Executive Director of ANSES

Mr. Bossio. "Investments were previously directed at the financial market, which doesn't generate jobs. Today our funds go toward projects that go hand in hand with the country's development. We work towards a profitable portfolio, but we want profits that create

employment, because jobs turn into worker contributions."

The economist is confident that the country is on the right track. "By working with this inclusion model and betting on energy development, we will be very successful," he says.

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Experience the wonders of Argentina

Argentina has seemingly unlimited tourist attractions that leave travelers wanting to come back, and the Ministry of Tourism is enacting policies to help ensure visitors do repeat

From the verdant rainforest surrounding Iguazu Falls – one of the seven natural wonders of the world – to the primordial landscape that gave birth to the Perito Negro glacier, a UNESCO World Heritage Site, Argentina offers up an array of captivating experiences for any traveler to enjoy. Within its borders lie more than 3,000 miles of stunning coastline, towering, snow-capped Andean peaks, lush wine-producing valleys, historical towns and bustling cosmopolitan cities that keep visitors longing to return for more.

Each year, some 5.7 million international tourists converge on South America's second-largest country, buoying its economy with \$4.4 billion in spending, according to the United Nations World Tourism Organization. But while it remains the top destination on the continent, Argentina's size, its rich historical and cultural heritage and its stunning geography remain untrammelled, offering a multitude of unique and truly authentic experiences. To help tap this potential, the country's public and private sector have made a concerted effort over the past decade. This new focus, seen as vital to the country's progress, has helped bring about fundamental changes to the travel industry's trajectory.

"On December 16 of 2004 the lower house [of parliament] approved the new National Tourism Bill. That bill marked a turning point," explains Enrique Meyer, Argentina's Tourism Minister. "The Public-Private Institute for the Promotion of Tourism (Inprotur) was created, an organization that promotes Argentina in foreign countries.

A key factor to emerge from this effort is the rise in the overall number of Argentinians who now travel, particularly within their own country. The share of the population that took at least one leisure trip in the previous year rose from 35% to 43% between 2006 and 2012 and tourism officials are hopeful that it will soon represent a majority of the country's population. Likewise, the number of tourist arrivals at domestic destinations rose from 28 million in 2003 to 44.9 million in 2013.

The Argentinean flagship carrier's new domestic and international routes have also given tourism an extra boost. Aerolíneas Argentinas – formerly under Spanish private management and re-nationalized in 2008 when it was on the verge of disappearing – flies to 35 destinations within the country, 22 of which are served by no other airline, and offers 85 weekly connections to



"THE NUMBER OF LOCAL TOURISTS TRAVELING OUR TERRITORY HAS INCREASED NOTABLY"

ENRIQUE MEYER, Minister of Tourism

Brazil. Last year, Aerolíneas Argentinas, now a member of SkyTeam, reopened the non-stop service from Buenos Aires to New York City's JFK.

"Aerolíneas Argentinas went from carrying 5 million passengers in 2008 to a forecasted 10 million this year. No other South American airline has ever grown that fast," boasts Mariano Recalde, airline president, who adds that the company has managed to lower costs and raise income by 80% since coming under state control.

Another factor that has helped propel the country's tourism market is the dy-

namic recovery in Europe and the United States, while an expanding middle class, which makes up the bulk of tourist demand, continues to be visible throughout the region, but especially in Brazil, one of Argentina's largest markets.

Since 2010, Argentina has been South America's top international destination, accounting for nearly a quarter of all international tourists in the region. However, about seven out of every 10 international tourists arriving in Argentina come from countries in the surrounding region, meaning that the largest tourism markets in North America, Europe and Asia remain largely untapped.

Although traveling to Argentina requires just a short amount of additional flight time, compared to a typical trans-Atlantic trip, the country offers an outstanding competitive advantage, in terms of its affordability, its world-class tourism and hospitality resources, and the quality of experiences that it offers. Consider Buenos Aires, which ranks 86th this year on Mercer's list of the world's most expensive cities, behind Chicago and White Plains, NY, despite earning a place as one of the

mer by the website TripAdvisor, for the price of just one night's lodging in New York, you could sleep for three nights in Buenos Aires – and use the savings to indulge in a meal of world-renowned Argentinean steak and wine.

For travelers with an appreciation for architecture, the city of Córdoba – home to another one of Argentina's World Heritage sites, the Jesuit Block and Estancias of Córdoba – vibrates from the ringing of more than 80 magnificent bell towers. In addition to the wonders of Iguazu and Los Glaciares, Argentina has more than 30 national parks, as well as Aconcagua, the tallest mountain in all of the Americas, measuring 22,841 ft.

Meanwhile, the country

has cemented its position as a top business destination, with the government's marketing plans helping to bring the number of international congresses and conferences up to 223 last year, from a mere 17 in 2003. According to the International Congress and Convention Association's (ICCA) 2013 findings, Argentina ranked 17th globally in terms of the number of meetings held, with Buenos Aires coming in first among North and Latin American cities. Next year, in fact, the capital city will host the ICCA Conference, beating out contenders Houston and Dubai.

While Córdoba, Mar del Plata, Rosario, La Plata, Bariloche and Salta are other choice sites for MICE (meet-

ings, incentives, conventions and exhibitions) tourism for a broad range of sectors and industries, Argentina is also a popular destination for world-class events, including the Rally Dakar and Moto GP.

"We have all the potential to develop a great tourist activity," the Tourism Minister emphasizes. "We have worked to organize that, starting with the legislation. We didn't only work on the National Tourism Bill but also on others that contributed positively; at the same time worked on training, excellence in our quality and planning. Also, the situation in Argentina has improved and so the number of local tourists traveling our territory has increased notably."

BUSINESS TOURISM IS A STRONG AND GROWING SECTOR. BUENOS AIRES RANKS 14TH INTERNATIONALLY AND 1ST WITHIN NORTH AND LATIN AMERICA IN TERMS OF THE NUMBER OF MEETINGS HELD



SINCE 2010, ARGENTINA HAS BEEN SOUTH AMERICA'S TOP INTERNATIONAL DESTINATION, ACCOUNTING FOR NEARLY A 25% OF ALL INTERNATIONAL TOURISTS IN THE REGION

namic growth taking place in the region. The South American economy as a whole has shown enviable economic progress, especially compared to the slug-

top destinations in the world for its unrivaled nightlife and entertainment, gastronomy, culture and architecture. Similarly, according to a survey released this sum-

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