Viewing cable 08BUENOSAIRES522, A/S SHANNON AND AMCHAM REPRESENTATIVES SHARE

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SUBJECT: A/S SHANNON AND AMCHAM REPRESENTATIVES SHARE
PERSPECTIVES ON GOA

¶1. (SBU) Summary. Assistant Secretary Shannon and Ambassador Wayne met with members of American Chamber (AmCham) Executive Committee to discuss the companies, observations and concerns about the Argentine business climate, market opportunities and challenges. AmCham representatives were unanimous in expressing their companies, commitment to Argentina, and all noted that their Argentine operations are profitable. However, AmCham representatives also expressed a uniform view that what they described as the mercurial economic policies of the GOA are thwarting market stability, growth and investment in Argentina. AmCham representatives also explained that there are many cultural and historical reasons for anti-Americanism in Argentina, while noting that U.S. companies are often recognized as being the best employers in the country. They expressed their strong desire to establish a regular dialogue with the government in which they would be seen as participants in Argentina,s growth and in which they could work to improve the investment climate. All participants urged the United States to help Argentina resolve its Paris Club debt issues, arguing that renewed access to international capital markets would reduce Argentina's dependence on Venezuela and promote foreign investment. End Summary.

U.S. Companies are Doing Well in Argentina

¶2. (SBU) A/S Shannon met with a group of CEO,s, Presidents and other senior managers of the following AmCham Executive Committee companies: Citibank, Coca-Cola, Dow Chemical, Ford, Exxon, General Electric, Motorola, Prudential, IBM, CHM2 Hill, Monsanto, and Cargill. The company representatives emphasized their respective company,s long histories in Argentina which date back from 20 to over 100 years. They all cited positive statistics about their recent hiring, investment and profitability, and there is a consensus view that tremendous potential exists for doing even better.

AmCham Companies Crave Stability, Yearn for Productive Dialogue With GOA

¶3. (SBU) The AmCham members, principal concern about doing business in Argentina is the lack of clear and constant rules. They lamented the GOA,s frequent interventions in the economy, and penchant for changing rules with minimal notice and no prior discussion with the business community. This situation has left the companies craving a sense of stability.

¶4. (SBU) AmCham members expressed frustration with what they described as the GOA,s inability or unwillingness to articulate a long-term economic plan. AmCham companies believe GOA economic policy is driven by how best to respond to the crisis of the moment without any real thought to a sustainable, long-term economic model.

¶5. (SBU) Company representatives also lamented that they have no channel for dialogue with the GOA that would enable them to influence policies that impact their respective operations and that limit their possibilities for expanding investment in Argentina. President Cristina Fernandez de Kirchner campaigned as someone who would work in partnership with the private sector; however, the AmCham representatives said they have not yet seen evidence of such a collaborative approach. Instead, the President makes decisions in consultation only with a small group of advisors, and it is extremely difficult for individual companies or industry groups of any nationality to have access to this small group. Lower-level officials are available for meetings, but have minimal influence on the President and her decisions. The AmCham representatives said they sought a dialogue in which the GOA would see them as &partners8 in Argentina,s growth.

Other Concerns: Energy, Labor Laws, Inflation, Price Controls

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¶6. (SBU) Company representatives expressed significant concern that the GOA has not developed a viable, long-term energy policy. The demand for energy in Argentina is growing, but GOA policies have created a difficult environment for energy producers. A combination of import restrictions, export taxes, and price controls has left the energy industry with little incentive to continue investing further in building domestic capacity.

¶7. (SBU) Several AmCham members expressed concerns about cumbersome labor laws. They believe the Kirchners have an impression that labor laws were too employer-friendly in the 1990s and so have instituted a series of employee-friendly changes. These changes have added another level of uncertainty for companies looking to expand and hire more employees in Argentina.

¶8. (SBU) Everyone expressed concerns about inflation and the controversy surrounding the validity of official GOA statistics. Specifically, they mentioned the uncertainty in the markets caused by growing inflation, the threat to continued profitability caused by inflation, the lack of transparency of the GOA in acknowledging inflation and the lack of a long-term view for dealing with inflation.

¶9. (SBU) A corollary concern is the GOA,s willingness to resort to &informal8 price controls. They expressed concern about the heavy-handed tactics of some GOA officials in not formally mandating price controls, but exerting substantial pressure on companies not to raise prices.

Challenges to Future Investment and Growth in Argentina
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¶10. (SBU) A general consensus exists that U.S. companies are committed to continuing operations in Argentina, but the current business environment is not conducive to expansion. The companies must compete with subsidiaries of their companies in other countries in Latin America and from around the world for new global investments. With an uncertain business environment, and rising government intervention in many sectors of the economy, they cannot realistically compete with the subsidiaries in many other countries for investment dollars. One CEO noted that Brazil, for example, provides a much more stable investment climate with clear and consistent rules, compared to present conditions in Argentina.

¶11. (SBU) An additional challenge to future investment is a lack of broad access to capital markets. The Argentine public still does not have confidence in the domestic banking industry and tends to make only short-term bank deposits. This restricts the depth of the domestic capital markets. Only large companies have realistic access to international capital markets. Small companies do not have access to sufficient capital to fund sustained long-term growth. In this sense, all participants agreed that the U.S. should work with others to encourage solutions to Paris Club debt. This would be a key step to reopening access to international capital and reducing Argentina's dependence on Venezuela.

¶12. (SBU) Some AmCham members mentioned the GOA,s relationship with Venezuela as a disincentive to further investment by their headquarters and wished that the GOA were closer to more moderate neighbors such as Chile and Brazil. AmCham representatives noted that Venezuela,s recent decision to nationalize a large Argentine majority-owned steel maker (SIDOR) may put stress on the GOA,s relationship with Venezuela and present an opportunity for the U.S. to help bring Argentina back into the fold of more responsible Latin American countries.

USG Perspective On Dialogue With GOA

¶13. (SBU) A/S Shannon noted that the USG has also had difficulty establishing a consistent and productive dialogue with the GOA and that the USG often finds the bilateral relationship held hostage by whatever crisis the GOA is experiencing at that moment. The goal of the USG is to build a stable relationship based on long-term dialogue, rather than allowing the relationship to be defined by crisis. The USG does not want the bilateral relationship to be focused on our differences, but seeks a positive, forward-looking agenda building upon our policy convergences. He acknowledged that the companies and the USG face similar challenges in trying to foster dialogue with the GOA because of the ways decisions are made by this Argentine government. The USG wants to work with the companies to promote an environment where the presence of U.S. companies is increasingly viewed as positive and mutually beneficial.

Reasons for Anti-Americanism in Argentina

¶14. (SBU) A/S Shannon invited the AmCham representatives to discuss the reasons for persistently high levels of anti-American sentiment in Argentina. In response, several company representatives noted that Argentina has been going from crisis to crisis for 80 years and that Argentines instinctively look to blame others for their problems. The U.S. is the biggest, most powerful nation in the world, and it is easy for populist Argentine politicians to blame Argentina,s problems on the U.S. The war in Iraq has reinforced the stereotype of the U.S. having an agenda to dominate the world without regard for the concerns of others, and this has fostered increased anti-Americanism.

¶15. (SBU) Several representatives noted that many Argentines have an ideological dispute with the U.S. conventional wisdom concerning the role of the private sector and free enterprise in the economy. Many Argentines do not trust the private sector and accept that the Argentine government will have bad relations with the private sector. The instinctive distrust of the private sector by many Argentines extends to dislike for the United States given its strong identification as a champion of free markets and the private sector. The system of public education does not teach about business or economics, and so it is difficult to teach children about the benefits of a strong private sector and to change stereotypes about the United States as a redoubt of rapacious capitalism.

¶16. (SBU) Another factor cited by Committee members as contributing to anti-Americanism is that Argentine society is largely made up of immigrants from Europe and Argentines instinctively identify more with Europe than the United States. Argentines do not feel any strong cultural bond with the United States and are therefore more likely to buy into anti-U.S. sentiment.

¶17. (SBU) While anti-American sentiment is strong, there is also evidence of positive changes. More and more students now want to work for U.S. companies, and there is growing recognition in Argentina that U.S. companies are the best companies to work for in the country. For example, the Ambassador cited a poll taken in late 2007 which rated six American companies as among the top ten places to work in the country. There have even been recent indications that the GOA recognizes that U.S. employers improve the quality of life of their employees and are often market leaders in terms of providing training and career development opportunities to their employees, offering a good working environment and excellent salaries and benefits.

¶18. (SBU) A/S Shannon remarked afterward that he was impressed at how long the U.S. companies have been present in Argentina and how committed they are to the long term success of Argentina,s economic and social development. He noted that all of the companies spoke of their desire to construct a dialogue with the GOA that will enable them to be partners in building a better future for the country.

WAYNE