

Viewing cable 07BUENOSAIRES139, ECONOMIC MINISTER ON MERCOSUR SUMMIT AND

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Reference ID	Created	Released	Classification	Origin
07BUENOSAIRES139	2007-01-25 20:29	2011-08-30 01:44	CONFIDENTIAL	Embassy Buenos Aires

VZCZCXYZ0000
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DE RUEHBU #0139/01 0252029
ZNY CCCCC ZZH
O 252029Z JAN 07
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7070
INFO RUEHAC/AMEMBASSY ASUNCION IMMEDIATE 5895
RUEHBO/AMEMBASSY BOGOTA IMMEDIATE 1494
RUEHBR/AMEMBASSY BRASILIA IMMEDIATE 5737
RUEHCV/AMEMBASSY CARACAS IMMEDIATE 1059
RUEHLP/AMEMBASSY LA PAZ JAN 4431
RUEHPE/AMEMBASSY LIMA IMMEDIATE 1950
RUEHMU/AMEMBASSY MANAGUA IMMEDIATE 0064
RUEHME/AMEMBASSY MEXICO IMMEDIATE 1294
RUEHMN/AMEMBASSY MONTEVIDEO IMMEDIATE 6118
RUEHOT/AMEMBASSY OTTAWA IMMEDIATE 0469
RUEHZP/AMEMBASSY PANAMA IMMEDIATE 0252
RUEHFR/AMEMBASSY PARIS IMMEDIATE 1194
RUEHQT/AMEMBASSY QUITO IMMEDIATE 0833
RUEHSG/AMEMBASSY SANTIAGO IMMEDIATE 0132
RUEHSO/AMCONSUL SAO PAULO IMMEDIATE 3132
RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RHMFISS/DEPT OF JUSTICE WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RHMFISS/HQ USSOUTHCOM MIAMI FL IMMEDIATE
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE
RUCPDOG/USDOC WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L BUENOS AIRES 000139

SIPDIS

SIPDIS

TREASURY FOR AFAIBISHENKO,AJEWEL,WBLOCK
PASS NSC FOR JOSE CARDENAS
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE
EX-IM BANK FOR MICHELE WILKINS
OPIC FOR GEORGE SCHULTZ AND RUTH ANN NICASTRI
PASS USTR FOR SUE CRONIN AND MARY SULLIVAN
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER
US SOUTHCOM FOR POLAD

TAGS: [EFIN](#) [ECON](#) [ENRG](#) [EINV](#) [EMIN](#) [ETRD](#) [BEXP](#) [AR](#)
SUBJECT: ECONOMIC MINISTER ON MERCOSUR SUMMIT AND
COMMERCIAL ADVOCACY CASES

REF: 2006 BUENOS AIRES 2576

Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

MERCOSUR Summit: GoA critical of Chavez antics

¶1. (C) During a January 24 meeting focused primarily on Paris Club issues (septel), Economic Minister Miceli told the Ambassador that the recent Mercosur summit in Rio had its tense moments, but had finished with the clear understanding that Mercosur priorities can not be subordinated to the interests of one member. She commented that while GoA officials appreciate Venezuela's bilateral support for Argentina, including financial support, and cooperation in the petroleum and agricultural areas, that did not mean that they agreed with Chavez' actions and statements during the summit. Miceli emphasized that Brazil and Argentina, as the two largest economies in Mercosur, had constructive talks on key initiatives, such as establishing a structure to allow trading in local currencies (rather than dollars) and establishing the "Banco del Sur." She said the idea of establishing this South American development bank would be to supplement World Bank and IDB lending, and allow southern cone Central Banks to house part of their reserves in the region -- and use them for regional development. In general, despite Venezuela's unwelcome antics, Miceli said she came away from the summit confident that Mercosur countries have a great opportunity now to broaden regional integration.

Commercial Advocacy Cases

¶2. (C) The Ambassador used the opportunity to engage Miceli in resolving several high profile and important commercial disputes, including Monsanto, Apache Energy, and Soda Ash.

...Apache Energy

Miceli appeared unaware that Apache Energy had recently made a large investment in Argentina or that GoA regulatory changes had adversely impacted the investment. The Ambassador explained that the Economic Ministry's October 2006 decision to revoke Tierra del Fuego export tax exemptions for hydrocarbons had cut the value of Apache's \$800 million investment in that province by 30%. He noted that the regulatory change happened only two weeks after Apache had invested the final \$430 million in Tierra del Fuego exploration assets, and this kind of treatment was not an encouraging message to send investors. At the Ambassador's urging, Miceli agreed to investigate the case and seek ways the GoA could ameliorate the impact of the new regulation on Apache.

...Monsanto

The Ambassador repeated his earlier request in November (reftel) for the Minister to support a resolution of

Monsanto's disputes with Argentine producers over royalty payments for its trademark GMO Roundup Ready seeds and herbicides. Miceli admitted that this case was politically sensitive for the GoA, as it affected thousands of Argentine farmers. However, she said her understanding was that many

of the parties involved were eager to reach a deal, and suggested that the Embassy use its influence to help Monsanto conclude the deal. The Ambassador said that Monsanto felt that it needs at least an informal signal of GoA acceptance to get the producers on board. Miceli responded that Monsanto should bring her a precleared deal and she would work to support it.

...Soda Ash

The Ambassador raised our concern about the GoA's decision on November 1 to increase its import duty on soda ash (HS Cod #2836.20) from 0% to the Mercosur-wide common external tariff level of 10%. The increase became effective the day after the Resolution was published, and soda ash was removed from Mercosur's exception list. The Ambassador recognized Argentina's right to unilaterally remove products from the exceptions list, but noted that the lack of advance warning had adversely affected U.S. soda ash exporters. The measure went into effect while several shipments of goods were already en route, and the Ambassador asked Miceli to consider ways to compensate exporters (and importers into Argentina) for the tariff change. He noted that Emboffs had already raised this with Secretary of Economic Policy Oscar Tangelson (who reports to Miceli). Miceli agreed to look into it, and Post will follow up with Tangelson's office.

WAYNE