

HALF CAFF

The News To Go



April 9, 2018

Happy Monday, everyone!

This is what happened in the last seven days:

CAPUTO'S APPEARANCE BEFORE CONGRESS ENDED IN SCANDAL (AND WITH AN EMOJI)

Heated discussions; crossed accusations; a power outage and a piece of paper that prompted a scandalous, early end to a congressional session.

In a much anticipated appearance before the Special Committee of Oversight and Control of the Administration and Payment of Public Debt in Congress (yes, that's the real name) Finance Minister Luis Caputo faced senators and deputies from the opposition who grilled him about Argentina's public debt and, more importantly, his offshore associations.

For four hours, Caputo engaged in tense exchanges, mostly with FpV deputies, who strongly criticized him for failing to disclose in his tax returns that he was involved in a series of offshore accounts – a revelation that saw the light of day with the so-called Paradise Papers scandal last year. The minister was also

questioned about what opposition leaders say is the increase of public debt issued by the Macri administration.

Caputo began his appearance by delivering a presentation in which he explained the government's economic policies, assuring they are aimed at achieving a stable economic growth that extends for "many years" and "eradicating poverty." In doing so, he defended the level of debt issued, saying it is necessary to finance the policies aimed at gradually reducing the fiscal deficit.

He did concede, however, that it will be impossible for the country to maintain this level of debt issuance for "20, 10 or five years."

"It is reasonable that we have to explain whether this debt is sustainable and why this time it will be different [i.e. the country will not end up in a crisis of debt]. Debt is exactly that: a reflection of the deficit. What we have to do is reduce the deficit," he said.

After Caputo finished his report, lawmakers present proceeded to ask him the questions they had prepared for him. Former Economy Minister and current Deputy Axel Kicillof was one of the most critical ones, grilling the minister for – according to him – not handing over "relevant reports" concerning the negotiations with holdout creditors and his offshore accounts.

"Offshore accounts are an instrument to commit crimes. They might serve other purposes. One can have poison and say it's good for something else. When you have an instrument to commit a crime, you usually use it to commit a crime," he said.

Further into the session, Senate president Federico Pinedo said that the reports mentioned by Kicillof had never been concealed, and that they were "available" for examination for all committee members.

In regards to his offshore accounts, Caputo said that "his only crime was not declaring them."

“Think of an offshore account as a safety deposit box. It does not make them evil. People have to be responsible for what they have in them. In my case, I’ve already said it. I don’t have anything to do with that company (Noctua Partners, presumably). I have declared everything to the Anti-Corruption office and the AFIP [tax collecting agency], everywhere. In regards to that report from the SEC (a recent report that revealed that he actually owned Noctua), I did not own it. I can’t declare something that is not mine.”

Regarding the issuance of public debt, he said “we have to try to reduce the dependence of external financing,” some that the Macri administration has been trying to correct that since day one.”

Later at noon, while FpV Senator Sigrid Kunath was asking questions, the power went out.

During that time, the session continued and lawmakers present had to ask questions without a microphone. 10 minutes later, the power came back.

The session finished abruptly shortly after 1 PM, when FpV Deputy Gabriela Cerruti got up from her chair and suddenly started screaming at Caputo, waving a piece of paper while everyone around her looked confused.

Unable to ease the tension, President of the Committee José Mayans decided to finish the session.

Immediately after, FpV deputies, led by Cerruti, ran to the TV cameras in the room to display a piece of paper that read: “My daughters are 11 and 13 years old, please don’t be so mean :)”.

(Yes, it actually included a smiley face.)

Cerruti accused Caputo of gender-based violence: “He sent me a piece of paper through an aide. He gestured at me and asked me to read it. He can’t send me a piece of paper in the middle of a session, I am a deputy, I don’t know him. He lied to us since minute one.” And regarding its content, she said: “either this is a threat, or it trivializes the situation, or whatever you want to call it. It is

sexist, misogynistic, all of that,” she said. Agustín Rossi, on his end, asked for Caputo to resign.

On Cambiemos’ side, Deputy Eduardo Amadeo said that Cerruti had previously made a reference to Caputo’s children. “Then he answered he has two daughters, it is what any father who feels like that would do.”

Caputo’s communication team [released a statement](#) after the scandal, apologizing for sending the message: “I reacted as a father and not as a public official. It was not the place nor the way to do it. In no time I intended to offend anyone. I spent four and a half hours answering every single question.”

SALARY NEGOTIATIONS WITH BA PROVINCE TEACHERS REMAIN STUCK, SO THEY WENT ON STRIKE

María Eugenia Vidal’s government in the Buenos Aires province is currently fighting several battlefronts with state workers and, as wage negotiations drag on in relevant areas of the public sectors, unions continue to take action in an attempt to have their demands met. The latest to do so are public teachers – supported by other sectors – and bankers working for the state-run *Banco Provincia*.

As they had announced the week before, the largest teachers unions in the province – grouped under the *Frente de Unidad Docente* (FUD) umbrella union – went on strike last week. Combined, the unions comprising the FUD have 282,000 members. They used to be more, but teachers’ unions UDA and AMET left the coalition during this year’s negotiations. Private school teachers are striking today as well.

In its last meeting with FUD representatives, the Vidal administration stuck to its offer of a 15 percent salary increase. But it did offer a new annual bonus, this time for “didactic (AKA educational) material,” of AR \$2,520.

This would be the third annual bonus that the administration would pay teachers, considering the two previous offers of one of AR \$3,000 for taking

training courses, and one of up to AR \$6,000 – to be paid in bi-monthly installments – for those who don't miss days of class, in an effort to fight absenteeism.

This bonus would be reduced to AR \$4,500 for those who have four absences or less, and AR \$3,000 for those who have between five and eight. Representatives of the Vidal government assure that taking these sums into account, the salary increase reaches 18.3 percent.

However, the unions again rejected the proposal, arguing that the provincial government is knowingly offering them an increase that reduces their salaries' purchasing power. Suteba union Secretary General, Roberto Baradel, said the bonus for educational material would actually represent an AR \$80 pesos monthly increase. "It's shameful. I would like for Vidal to actually visit schools, not just for a photo shoot," he said.

In a press conference held last week, Vidal said her administration will seek to "open all schools and that all its cafeterias will be available" for children to attend. Moreover, she announced a unilateral, partial five percent increase for teachers, so their salaries start catching up with this year's inflation. "Teachers can't keep waiting while we argue about the annual increase. They haven't gotten a raise since December," she said.

GREEN LIGHT FOR US DUTIES ON ARGENTINE BIODIESEL TO REACH 159%

The United States is one step closer to slapping anti-dumping duties on Argentine biodiesel, further to the existing duties for "unfair subsidies" that have already been placed on the exports.

Last week's finding by the United States International Trade Commission (USITC) that "U.S. industry is materially injured by reason of imports of biodiesel from Argentina and Indonesia that the U.S. Department of Commerce (Commerce) has determined are sold in the United States at less than fair value" paves the way for new duties to be instituted by the Department of Commerce

later this month. The USITC did not find grounds to apply retroactive duties on Argentine biodiesel exports.

The USITC's finding is further to a decision in February by which the US Commerce Department determined exporters from "Argentina and Indonesia have sold biodiesel in the United States at 60.44 – 86.41 percent and 92.52 – 276.65 percent less than fair value, respectively." The combined countervailing and anti-dumping duties could amount to 159 percent, according to Reuters.

"Today's decision allows U.S. producers of biodiesel to receive relief from the market-distorting effects of foreign producers dumping into the domestic market," said US Commerce Secretary Wilbur Ross in February. "While the United States values its relationship with Argentina and Indonesia, even our closest friends must play by the rules." A few weeks earlier Ross had hinted at a possible resolution to the conflict.

Currently, countervailing duties as high as 72 percent on Argentine biodiesel for receiving alleged subsidies have all but shut the US market to Argentine producers.

The Macri administration has protested against the measures and has insisted that the US actions are without merit, and have reserved the right to take the matters before the World Trade Organization. In early February, during a visit by then US Secretary of State Rex Tillerson to Buenos Aires, Foreign Minister Jorge Faurie said "we're engaging in dialogue that allows us to find solutions on the bilateral level on which we have been working on for the last 3 months."

Argentine exports of biodiesel to the United States in 2017 were down compared to the previous year, after transitory duties of more than 50 percent were instated in August. Instead of the 1.5 million tons exported to the United States in 2016, approximately 1.03 million tons had been dispatched to the United States at the end of 2017.

The European Union in 2017 reduced its own tariffs on Argentine biodiesel after the World Trade Organization ruled in favor of Argentina in a dispute

over biodiesel exports. Exports to the EU jumped to 650,000 tons in 2017, making up for some of the reduction in US imports. Before the duties were instated, about 90 percent of Argentine biodiesel exports went to the US. That trade was worth about US \$1.1 billion in 2016 and US \$726 million in 2017, or roughly 16 percent of all Argentine exports to the United States, according to the ABECEB consulting firm.

The decisions concerning biodiesel contrast with the temporary US exemption from tariffs on Argentine steel and aluminum products.

Have great week, kids!