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FEATURED Q&A

Is Argentina Starting a Pattern of Nationalizations?



Argentine President Alberto Fernández said his government is nationalizing Vicentin to save jobs and protect the food-exporting sector. // File Photo: Argentine Government.

Q Argentina's government is moving to take over bankrupt soy-crushing company Vicentin in what President Alberto Fernández called an effort to save jobs and protect the country's food-exporting sector and Production Minister Matías Kulfas described as "a statist vision for the 21st century." What would the nationalization of Vicentin mean for the Argentine government and for the country's soy industry? Is this likely to be the first of many expropriations to come under the Fernández administration? What message does the move send to Argentina's business community, and what consequences could it bring for investment in the country?

A **Kezia McKeague, director at McLarty Associates:** "The decision to take over Vicentin came as a surprise to both the domestic and foreign business community—and the long-term consequences are still far from certain. The public justifications for the intervention included the firm's significant debts to Banco de la Nación, Argentina's state-owned bank, as well as a desire to save the jobs of its 2,600 workers. The long-term play, however, may be securing access to foreign currency at a time of dwindling central bank reserves as well as ensuring a national presence in a strategic sector dominated by foreign companies. The impact on the soy industry will largely depend on Gabriel Delgado, a well-regarded agricultural economist appointed to carry out the intervention. In the immediate aftermath of the announcement, however, a lack of coordination within the government, coupled with societal and opposition pushback, led to important questions about implementation. Critics have argued that the move represents an attack

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TODAY'S NEWS

POLITICAL

Brazil Surpasses One Million Covid Cases, 50,000 Deaths

Brazil's number of confirmed Covid-19 cases and deaths from the disease surpassed grim milestones.

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ECONOMIC

Iranian Ship With Food Cargo Reaches Venezuelan Waters

The cargo on the ship Golsan is meant to supply Venezuela's first Iranian supermarket. It was approaching the Venezuelan port of La Guaira on Sunday.

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POLITICAL

Bolivia's Añez Approves Sept. 6 Date for Election

Interim Bolivian President Jeanine Añez approved legislation to hold the country's general election on Sept. 6. The vote had been scheduled in May, but Añez postponed it because of the Covid-19 pandemic.

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Añez // File Photo: Bolivian Government.

POLITICAL NEWS

Brazil Surpasses One Million Covid Cases, 50,000 Deaths

Brazil's number of confirmed Covid-19 cases surpassed one million on Friday, and its number of reported deaths from the disease crossed 50,000 on Sunday. However, experts believe the actual number of cases and deaths from the fast-spreading novel coronavirus are far higher because of a lack of widespread testing, Reuters reported. Brazil reported its



Bolsonaro // File Photo: Brazilian Government.

first case of the virus on Feb. 26, and its rapid spread has eroded support for President Jair Bolsonaro, who has downplayed the disease as a "little flu" and has opposed social-distancing measures intended to curb transmission of Covid-19. The country also still has no permanent health minister, after Bolsonaro fired one, and his successor stepped down, both after clashes with the president. Bolsonaro has said job losses that have come from shutdowns of businesses do more damage than the virus itself, and he has touted two anti-malaria drugs as remedies, despite little evidence that they are effective against Covid-19. However, pro-Bolsonaro demonstrators have also taken to the streets almost weekly to oppose lockdown measures and also call on Brazil's military to close Congress and the Supreme Court, which some of the president's supporters see as blocking his agenda, Al Jazeera reported. On Sunday, Bolsonaro said the military's job is to defend democracy and serve the will of Brazilians, Reuters reported. Also on Sunday, the World Health Organization reported the world's

largest single-day increase in the number of Covid-19 cases, the Associated Press reported. Countries reported more than 183,000 new cases in the previous 24 hours, with Brazil leading the tally with 54,771 and the United States next with 36,617. Experts said the rise was due to factors including more widespread testing and a rise in infections, the AP reported. As of this morning, Brazil had 1,083,341 confirmed cases of Covid-19 and 50,591 reported deaths from it. Only the United States has more confirmed cases, at 2,280,969, and reported deaths, at 119,977, according to a tally by Johns Hopkins University. Worldwide, there are more than 8.9 million confirmed cases and more than 468,000 reported deaths.

ECONOMIC NEWS

Iranian Ship With Food Cargo Reaches Venezuelan Waters

An Iranian ship on Sunday was nearing the Venezuelan port of La Guaira with a cargo of food that is meant to supply the Andean nation's first Iranian supermarket, according to Refinitiv Eikon and Iran's embassy in Venezuela, Reuters reported. Last month, Iran supplied 1.5 million barrels of fuel to Venezuela as the South American country faced a sharp shortage of gasoline amid failing refinery operations and tough U.S. sanctions. The Iranian-flagged general cargo ship Golsano, which Mosakhar Darya Shipping Co. owns, departed on May 15 from the Iranian port city of Bandar Abbas, the same port from which the five tankers shipping fuel to Venezuela departed. "The Golsan will arrive carrying food to open the first Iranian supermarket in Venezuela," the Iranian Embassy in Caracas wrote on Twitter on Saturday, without providing further details. Venezuela's Information Ministry did not immediately reply to Reuters' request for comment. The Golsan's delivery marks "another success in friendly and fraternal relations between the two countries," officials at the Iranian Embassy wrote on Twitter a day earlier, ABC News reported.

NEWS BRIEFS

Bolivia's Añez Approves Election on Sept. 6 Despite Fears Over Coronavirus

Interim Bolivian President Jeanine Añez on Sunday approved legislation to hold the country's general election on Sept. 6, Agence France-Presse reported. "I have received pressure demanding elections on September 6, that is, in the midst of the pandemic. I have a country suffering and many politicians and authorities demanding elections as soon as possible," Añez said in a recorded message, AFP reported. The election had originally been scheduled for May 3, but Añez postponed it because of the pandemic.

Three Killed in Collapse of Nicaragua Gold Mine

A gold mine collapse in northwestern Nicaragua left three young men dead, officials said Sunday, the Associated Press reported. The miners, whose ages ranged from 16 to 26, had been hunting for bits of gold when the El Rincon de García mine in the town of Villanueva collapsed last Wednesday due to heavy rains in the area. A separate collapse at the same mine in 2014 killed four people.

China's JinkoSolar to Supply Modules for Plant in Chile

China's JinkoSolar, one of the largest solar module manufacturers in the world, announced today that it will supply 60.9 megawatts of bifacial modules for the first industrial hybrid plant in Chile. The plant, which is set to be located about 10 kilometers outside the city of Calama in the Antofagasta region, will consist of a 60.9-megawatt photovoltaic plant and a 90-megawatt wind farm. Construction of the hybrid plant is expected to be finished in early 2021. [Editor's note: See related [Q&A](#) in last week's issue of the Energy Advisor.]

The administration of U.S. President Donald Trump has implemented extensive sanctions programs against both Iran and Venezuela, whose warming ties could lead to retaliation, Reuters reported.

BUSINESS NEWS

Judge Deals Setback to Argentina's Plan to Nationalize Vicentin

The Argentine government's plan to take over bankrupt soybean processor Vicentin suffered a setback on Friday after a provincial judge ruled the company's management should continue to run the business for now and that government officials should only have a supervisory role, the Buenos Aires Times reported. Judge Fabián Lorenzini in Santa Fe province, where the company is headquartered, reinstated the ousted Vicentin executives in a ruling that limited the power of trustees appointed by the state. The judge said government officials could only be observers or watchdogs, not administrators. "The continuity of the original administrators would be appropriate, with the same powers that they held at the time prior to the state's intervention," Lorenzini wrote in the ruling, which also said that his court was not the proper venue to decide whether the government's move was constitutional or not. The administration of President Alberto Fernández earlier this month said it planned to take over and eventually nationalize the giant soy processor, which went bankrupt last year. Thousands of people in Avellaneda, in Santa Fe, took to the streets over the weekend to protest the expropriation plan, as well as the continuance of a strict quarantine due to Covid-19, Bloomberg News reported. Without explicitly mentioning Vicentin or the lockdowns, Fernández wrote on Twitter that he was "reaffirming my convictions ... for the health of the republic." Earlier that day, he called the judge's decision "a big judicial absurdity" in a radio interview.

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on private property, demonstrating the influence of Vice President Cristina Fernández de Kirchner. On the defensive, President Fernández argued that his decision does not herald a larger nationalization plan and is comparable to the bailouts of strategic companies seen in developed economies. The reality may be in the middle—the president is not interested in a massive expropriation scheme, but some factions within the diverse governing coalition are clearly keen on establishing a toehold in key economic sectors. Even with a low risk of expropriation of foreign firms, the impact of the takeover on the investment climate is a problematic one. For foreign investors in Argentina, Vicentin is seen as one more example of policy trending in an increasingly interventionist direction as economic conditions worsen."

A **Juan Cruz Díaz, managing director at Cefeidas:** "The move to nationalize Vicentin should be read as an initiative focused on rescuing a company widely seen as 'too big to fail,' rather than as part of a broader plan of nationalizations in other sectors. It would also grant the government a considerable degree of influence in the strategic agricultural market. That a Fernández government has chosen an interventionist approach should come as no surprise, and, in fact, governments of different political orientations have regularly used nationalizations during Argentina's history. This notwithstanding, moving forward with these plans risks bringing about a serious conflict with the country's strong agricultural sector, which has already criticized the decision, as well as eliciting a negative reaction from the public (recent polling shows that around half of the public disapproves of the expropriation) at a moment in which the president's ratings are decreasing due to fatigue with the ongoing lockdown measures against Covid-19. Moreover, the decision has not only received resistance from the outside, but also from within the government, high-

lighting the diversity of the ruling coalition, in which the more interventionist sectors surrounding Vice President Cristina Fernández de Kirchner that advocated for the move are very strong and influential. This situation will be a test for Alberto Fernández's authority within the coalition. In the face of resistance, he has appeared to backtrack on the expropriation plans in favor of an alternative solution and might look weakened if the expropriation plans move forward. He is likely to adopt an alternative if found (such as an absorption of the company's debt by the state), as the costs of the nationalization plan are certainly high."

A **Shunko Rojas, partner at Quipu and former undersecretary of international trade at the Argentine Ministry of Production:**

"Alberto Fernández's decision to go ahead with the intervention and eventually nationalize a private company such as Vicentin has profound implications. On the political front, the decision means an important step toward a more radicalized government. The hand of Vice President Cristina Fernández de Kirchner is clearly behind the move and raises the question of to what extent Alberto Fernández has actual control over the government. The decision has been strongly rejected by the opposition, key representatives of the private sector, and even more importantly, moderate political allies within the government coalition. In addition, the decision was made hastily, without political consensus, poorly communicated and executed with many technical and legal questions undefined. The decision has been judicially challenged, and the issue will now probably go into a lengthy and complex judicial, legislative and political process. Given the important backlash generated by the decision and its complex implications, it is unlikely that the intervention of Vicentin will be the first of future expropriations. The government may even have to limit the scope of its decision. However, the announcement

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has already opened a door that was thought to be locked under President Fernández and will have an obvious chilling effect on both local and foreign investors. Also, the timing of the announcement couldn't be worse as the country enters the final and critical phase of the negotiations with private bondholders to restructure its debt."

A **Carlos Iannizzotto, president of Cooperación Intercooperativa Agropecuaria (Coninagro) in Argentina:** "The Vicentin situation has many sides. First, it is truly worrying from a political and legal point of view, given the legal process linked to the cessation of company payments and the legal framework of the bankruptcy and the president's decree. The issue must be driven by legality. If it isn't, then Coninagro is completely against it. Second, regarding the bankruptcy situation, we believe we can help. From the point of view of cooperatives, we can contribute content and management. There are first-class enterprises that can help with Vicentin's activities, that can collaborate to maintain jobs and support our producers, so that there is a production force driven by small and medium cooperative enterprises. This is Coninagro's fundamental position, one in which cooperatives and associations and a solidary economy can help the process, and in which neither the state nor Argentines have to lose a penny. It is, rather, the continuity of production and of employment, two factors that are central to cooperativism's social capital. We're going to make all efforts possible so that we don't fall into either extreme—neither a situation of total individualism in which irrational capitalism does not take into account the fact that producers and workers are not being paid, nor a statism that violates legal norms. Coninagro does not share either of these extreme positions; we are pro-social capital, and in favor of maintaining jobs and supporting our producers."

A **Nicolás Greenfeld, economist at the Scalabrini Center of Economic and Social Studies (CESO) in Argentina:** "In the backrooms of the Casa Rosada and Argentina's midland states, Vicentin's bankruptcy couldn't have come at a worse time. Production Minister Kulfas said later in an interview that his statist vision is about not being shy of doing what is needed in strategic areas for the economy. About a third of Vicentin's debt is held by foreign banks, including the World Bank's investment arm, the IFC. In total, the company left 2,638 suppliers and creditors exposed. The only continent where Vicentin is debt-free is Africa. Foreign banks and financial institutions will file a class action lawsuit in New York, and the money laundering office in Argentina asked to be a complainant under allegations of money laundering and tax evasion. Omar Perotti, the governor of Santa Fe, which is at the agribusiness heartland and where Vicentin is headquartered, supports the president's decision to nationalize. Thousands of small and medium-sized businesses and farmers already under financial stress could face the same fate. Banco de la Nación loaned 20 percent of its credit capacity to Vicentin, most of it between the last presidential election and the new administration taking office. In local politics, few believe this is a signal of more nationalizations to come, but rather an unwanted but necessary intervention. Within the soy sector and agribusiness community, the nationalization is controversial; large business, traders, traditional landowners and the former ruling party are critical and against it, while farmers, small and medium agribusiness companies, academics and national traders are supportive of President Fernández's approach."

Editor's note: The commentaries above were submitted to the Advisor before an Argentine judge on Friday reinstated ousted Vicentin executives to their positions and said the government should perform only a supervisory role in the company.

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