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Inward FDI in Argentina and its policy context

by

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With a long-standing tradition of an international business presence, Argentina followed an open investment policy since its early stages of development. The most recent wave of foreign direct investment (FDI) growth took place between 2004 and 2008, with investments primarily in the manufacturing, natural resources and new technology sectors. In 2008, inward FDI flows reached US\$ 10 billion, positioning the country as a relevant investment destination worldwide. Moreover, with a 50% annual increase, Argentina was one of the ten fastest growing FDI destinations in the world.¹ In 2009, inward FDI contracted due to the global economic crisis in line with the rest of the world.

Trends and developments

*Country-level developments*²

Beginning in the late 19th century, Argentina registered four distinct waves of inward FDI, the first under the agro-export model of development and the following under import substitution industrialization. In the following wave in the 1990s, FDI was fuelled initially by a broad privatization process and later driven by a widespread series of mergers and acquisitions (M&As), both mainly targeting services, public utilities and

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¹ ProsperAr based on UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2009). The ranking is based on all countries receiving more than US\$ 5 billion in FDI inflows in 2008.

² FDI data cited in this section and in annex tables 1 through 4 come from the two main official sources responsible for recording FDI statistics in Argentina: the National Office for International Statistics at the National Institute of Statistics and Census (INDEC) and Argentina's Central Bank (BCRA). Both sources follow the methodology established in the International Monetary Fund's *Balance of Payments Manual* (fifth edition). Data on FDI flows are based on INDEC statistics, which are also the source for UNCTAD and IMF. FDI stock data from 2000 to 2003 are also cited from INDEC reports. Stock data from 2004 to 2008 are cited from BCRA reports, which offer more details for those years.

the oil sector. The two trends were reflected in the high share of changes in ownership in FDI inflows in the period, which accounted for 57% of total flows. As a result, while FDI inflows reached an annual average of US\$ 7 billion during the 1990-2000 period,³ flows net of privatizations averaged US\$ 5 billion,⁴ and flows net of all changes in ownership recorded a lower annual average of US\$ 4 billion for the same period. Growing foreign investments were reflected in an expanding FDI stock that reached US\$ 80 billion in 2001 (annex table 1).

Inward FDI flows declined sharply in 2001 due to domestic and international developments. The effects of the global decline in FDI flows (41%) were magnified locally by the convertibility crisis in Argentina, severely impacting FDI inflows to the country: they dropped by 79% (annex table 2). Furthermore, the effect of the peso devaluation resulted in a sharp drop in the dollar value of the inward FDI stock, which was cut by almost half to US\$ 43 billion in 2002.

During the period of 2002-2003, foreign affiliates underwent a phase of reorganization and restructuring after the local crisis, with FDI inflows contracting at the domestic level as well as globally. By 2002, following the peso devaluation, debt levels of foreign affiliates in Argentina rose to 67% of assets.⁵ In this context, many companies were forced to reduce and restructure their debt, returning to healthy balance sheets remarkably fast.

Between 2004 and 2008, rapid economic growth, increased domestic demand, high levels of profitability, and renewed competitiveness - combined with a favorable international environment - contributed to a vigorous expansion of FDI inflows. For five consecutive years, inflows expanded at a compound annual growth rate of 43%, substantially higher than the growth rate for the world (25%) and developing countries (28%) over the same period. As a result, annual inflows reached an average of US\$ 6 billion during 2004-2008, surpassing since 2005 average annual flows net of privatizations registered in the 1990s.

The inward FDI stock rose steadily, to reach the 2001 level of US\$ 80 billion again in 2008 (annex table 1), a level that placed Argentina among the leading FDI recipients in Latin America, below Brazil, Mexico and Chile. In a broader context, Argentina ranked 14th among emerging markets in FDI stock in 2008.

³ This average figure includes the extraordinary FDI inflow received in 1999 (US\$ 24 billion) mainly due to Repsol's purchase of the oil and gas company YPF, the country's largest company. This unique operation accounted for more than 60% of FDI flows that year and included the purchase of outstanding shares still held by the public sector and the associated purchase of YPF's publicly traded shares dispersed among minority shareholders.

⁴ Figure corresponds to average annual inflows net of privatizations and net of Repsol's associated purchase in 1999 of YPF publicly traded shares. Figures net of privatizations are presented with the sole purpose of providing a homogeneous measure of comparison of FDI inflows over time. State-owned companies in Argentina (in the public utilities and energy sectors) were all sold during the wave of privatization of the 1990s, resulting in exceptional inflows of FDI. Given that privatizations are one-off events, a comparison of total FDI flows received during the 1990s with those corresponding to the period under analysis (2000-2008) could lead to inaccurate conclusions.

⁵ G. Bezchinsky, M. Dinenzon, L. Giussani, O. Caino, B. Lopez, and S. Amiel, "Inversión extranjera directa en la Argentina. Crisis, reestructuración y nuevas tendencias después de la convertibilidad," in B. Kossacoff, ed., *Crisis, Recuperación y Nuevos Dilemas: La Economía Argentina 2002-2007* (Buenos Aires: ECLAC, 2007), p. 162.

During the 2004-2008 growth phase, FDI was mainly driven by greenfield investments by both already established foreign affiliates and new international companies entering the local market. As a result, changes in ownership (i.e. M&As and privatizations) represented only a fraction (7%) of total FDI flows in the five year period, down from 57% during the 1990s. The new composition of FDI flows is evidence of improvements in the quality of foreign investment in Argentina, as greenfield investments tend to make greater contributions to capital formation and employment than M&A operations.⁶ The rise in reinvested earnings as a share of total FDI, which accounted for an average of 25% between 2005-2008, is also noteworthy.

The sectoral distribution of the inward FDI stock of Argentina has been relatively stable since 2004 (annex table 3). Manufacturing, natural resources and services (including financial services) each accounted for approximately one third of the total stock on average during this phase (35%, 34%, 31%, respectively). A closer look at FDI flows reveals a trend of a growing share of manufacturing at the expense of natural resources. Specifically, the manufacturing sector's share in FDI inflows rose from 40% in 2005 to 58% in 2008, while natural resources, which accounted for 30% in 2005, declined to 12% in 2008. The recent dynamism of the IT and software sector in Argentina is also worth highlighting as the presence of leading global companies in this sector has continued to increase in recent years.⁷

In terms of the geographical distribution of the inward FDI stock, Europe remained the main source for FDI in Argentina, followed by North America and South America. The top five investors measured by the value of their FDI stock in Argentina in 2008 were Spain, the United States, the Netherlands, Brazil, and Chile. In terms of flows, Spain led most years, but was surpassed by Brazil for the first time in 2008 (annex table 4).

The importance of Brazil as a home country for FDI in Argentina is a relatively new phenomenon. The upward trend of Brazilian investments since 2002 is a consequence of a combination of four factors: first, opportunities brought about by the recovery and rapid expansion of the Argentine economy following the 2001-2002 crisis; second, Brazil's economic growth combined with the financial support provided by BNDES⁸ for the internationalization of its firms; third, the fact that top-tier Argentine companies were, and in some cases still are, relatively undervalued, creating an acquisition opportunity for Brazilian companies, underscored by the relative strength of the Brazilian currency *vis-à-vis* the Argentine peso. Finally, the fourth factor was the regional integration and the close partnership between the two countries, institutionalized by MERCOSUR, which played a key role in making Argentina a natural first step in the internationalization process of Brazilian companies. Brazil's greater share of FDI reflects a broader trend in which capital from developing countries has a growing role in overall FDI in Argentina.

The profitability of foreign affiliates in Argentina rose considerably in recent years. Earnings as a percentage of the FDI stock reached 9.1% on average between 2004 and 2008, compared to 6.1% on average between 1992 and 2000. A national survey of the

⁶ Both greenfield and M&A operations can foster technology transfers that result in productivity gains. However, part of the productivity gains associated with M&As tend to be a consequence of employment rationalization.

⁷ Recent investments in the IT and software sector include: Google, Microsoft, Symantec, IBM, Intel, Sap Motorola, NEC, Sabre, and Oracle.

⁸ Brazilian Development Bank.

500 largest non-financial companies in Argentina also revealed that gross margins (profits/sales) were considerably higher for foreign affiliates (15.3%) than for domestic companies (7.0%).⁹

In sum, FDI's good performance over the past years was driven by three main factors: fast economic growth, high levels of profitability and a favorable international context which prevailed until the onset of the global financial and economic crisis in the second half of 2008.

The corporate players

An estimated 1,800 foreign affiliates operate today in Argentina.¹⁰ MNEs are active in a wide array of sectors and industries. Around 330 of the 500 largest non-financial companies (national and international) in the country were foreign affiliates and accounted for around 405,000 jobs and US\$ 121 billion in sales in 2007. Foreign affiliates also produced 84% of gross value added and 90% of total profits of the 500 companies that year.¹¹ These figures are evidence of the large presence and successful operation of MNEs in the Argentine economy, most of them doing business in the country with a long-term time horizon.

The presence of MNEs in Argentina is particularly relevant in such sectors as oil and gas, telecommunications, the automotive industry, and agribusiness, as reflected in the list of the 20 main foreign affiliates in the country (annex table 5). A further analysis of the affiliates of the top 20 MNEs in Argentina also reveals a high degree of concentration. In 2008, assets in Argentina held by these foreign affiliates represented more than half (53%) of the total FDI stock in the country. Moreover, their combined sales accounted for around 37% of total sales made by the 330 largest non-financial foreign affiliates.¹²

The main greenfield projects announced by MNEs in the past three years are also geared toward the oil and gas and telecommunications sectors, and include large mining projects as well (annex table 7). Changes in ownership were led by metal and steel, food and beverages, agriculture, and cement. The main M&A deals included the sale of a significant share of the steel company Acindar to Arcelor Mittal, the purchase of Grupo Guerrero by the Mexican beverage bottling company Embotelladoras Arca, and the acquisition of a 50% share of the cement plant Cementos Avellaneda by Votorantim L.E., consolidating Brazil's predominance in the sector in Argentina (annex table 6).

Effects of the current global crisis

Until the third quarter of 2008, FDI kept rising in Argentina, reflecting the delayed impact of the international financial and economic crisis. However, beginning in the fourth quarter of 2008, and as a result of the global downturn, a lack of financing and

⁹ National Bureau of Statistics and Census (INDEC), *Survey of Big Companies in Argentina* (Buenos Aires: Ministry of Economy and Public Finance, February 2009). Data correspond to 2007, last available year.

¹⁰ UNCTAD, *World Investment Report 2009*, op. cit.

¹¹ National Bureau of Statistics and Census (INDEC), *Survey of Big Companies in Argentina* (Buenos Aires: Ministry of Economy and Public Finance, February 2009). Data correspond to 2007, last available year.

¹² National Bureau of Statistics and Census (INDEC), *Survey of Big Companies in Argentina* (Buenos Aires: Ministry of Economy and Public Finance, February 2009). Data correspond to 2007, last available year. The data correspond to the year 2007, the last available year.

the postponement of investment projects in light of growing international uncertainty, this positive trend was reversed. In 2009, FDI inflows were 50% lower than in 2008, a decline consistent with the contraction registered in Latin America and the Caribbean (-41%) and worldwide (-39%).¹³ The contraction was the result of a decrease in equity contributions, a standstill in M&As and a reversal in intercompany debt flows. MNEs operating locally followed a pattern observed elsewhere whereby head offices recalled debt and increased profit remittances from their foreign affiliates as a result of the global economic crisis.

Notwithstanding the effects of the global crisis, and the slow recovery expected for world investment flows, domestic FDI prospects remain positive in the medium term. Argentina could benefit from projected global trends: increased demand for food products and clean and renewable energies, a growing decentralization of global value chains with opportunities to integrate in higher value added segments, and a growing localization of R&D activities in emerging markets, among others. The country's competitive and comparative advantages are well aligned with these emerging structural trends, creating potential investment opportunities. Addressing challenges at the macroeconomic and microeconomic levels would better position Argentina to capitalize fully on these opportunities.

The policy scene

The Argentine Constitution guarantees equal treatment and rights for local and foreign investors. The Foreign Investments Act¹⁴ defines the legal framework for foreign investments and establishes that foreign investors may remit abroad profits; repatriate their investments; make use of any of the legal forms of incorporation foreseen by Argentine legislation; and use domestic credits and loans with the same rights and under the same conditions as domestic companies.

In terms of international treaties, Argentina has signed 58 bilateral investment treaties (BITs), 55 of which are in effect. The 2001 economic and financial crisis, the most severe in the country's history, had negative effects on domestic and foreign companies alike.¹⁵ Given the impact of the crisis, some foreign investors chose to file 44 claims against Argentina at the International Centre for Settlement of Investment Disputes.¹⁶ To date, two claims have concluded the annulment process; four awards have been rendered pending annulment proceedings; 13 have been discontinued (concluded); 11 claims have been suspended; and 14 claims are pending.¹⁷

¹³ As an additional reference, FDI to the two largest economies in Latin America, Brazil and Mexico, dropped 50% and 41%, respectively, in 2009. Source: UNCTAD, *Global Investment Trends Monitor*, No. 2 (New York and Geneva: United Nations, January 2010).

¹⁴ Foreign Investments Act No. 21382, enacted in 1976 and regulated by decree Executive Order 1853/1993.

¹⁵ For more detailed information on the 2001 economic and financial crisis, see B. Nofal, "Las causas de la crisis de la Argentina," *Boletín Informativo Techint* (310) (May-August 2002); J. Stiglitz, "Argentina, shortchanged. Why the nation that followed the rules fell to pieces," *Washington Post*, May 12, 2002; R. Hausmann and A. Velasco, "Hard money's soft underbelly: understanding the Argentine crisis," in D. Rodrik and S. Collins, eds., *Brookings Trade Forum: 2002* (Washington, DC: Brookings Institution Press, 2003).

¹⁶ Eight additional cases have been filed for arbitration under the rules of the United Nations Commission on International Trade Law while three other cases have been filed for arbitration under the rules of the International Chamber of Commerce (ICC) International Court of Arbitration.

¹⁷ Information based on official data provided by *Procuracion del Tesoro de la Nacion*, consistent with data available at International Centre for Settlement of Investment Disputes.

Argentina has argued that the “essential security” clause contemplated within the signed BITs applies in the context of the 2001 crisis. In support of this stance, UNCTAD stated in reference to the case of Argentina that “several arbitration awards confirmed that the scope of ‘essential security’ exceptions is not necessarily limited to military threats, but may also cover emergency measures taken in times of major economic crises. Tribunals disagreed, however, on the degree of severity of an economic crisis that would justify invocation of the national security exception.”¹⁸ Some international agreements signed in subsequent years reflect Argentina’s position.¹⁹ The events that have unfolded during the recent international financial and economic crisis are likely to trigger additional discussions on the conditions under which countries can adopt certain measures in emergency situations.

Conclusions – what’s next?

Argentina benefitted from the global wave of FDI between 2004 and 2008. The annual growth rate of FDI inflows to the country was twice the rate worldwide for the same period. As a result, Argentina’s share of world FDI inflows doubled between 2003 and 2008. Primarily comprised of equity contributions and reinvested earnings (with M&As representing a low percentage), the improved quality of FDI in the country contributed to the expansion of the economy’s productive capacity.

Following the sharp decline registered in 2009 as a consequence of the global crisis, FDI inflows are expected gradually to recover in 2010 as growth in the world, and in Argentina, resumes.²⁰ The evolution of inflows will depend on two main factors. On one hand, how Argentina faces some pending challenges, such as the full normalization of access to international financing, a process initiated in 2005; and, on the other, how the country takes advantage of an auspicious global scenario in which demand patterns match Argentina’s competitive and comparative advantages.

Looking ahead, with the lessons learned from the international crisis in mind, the quality of FDI—and not only its quantity—is key to ensure long-term economic benefits. Policies aimed at the development of FDI should encourage long-term projects that integrate locally with global value chains and promote innovation and high environmental and social standards. Attracting sustainable and innovative investments needs to be at the center of Argentina’s FDI policy strategy in the new global scenario.

¹⁸ UNCTAD, *World Investment Report 2009*, op. cit, p. 35.

¹⁹ For example, the US-Peru Free Trade Promotion Agreement, signed in 2006, establishes in Article 22.2: Essential Security that “Nothing in this Agreement shall be construed: [...] (b) to preclude a Party from applying measures that it considers necessary for the fulfillment of its obligations with respect to the maintenance or restoration of international peace or security, or the protection of its own essential security interests.”²⁰ and further clarifies within footnote n°2: “For greater certainty, if a Party invokes Article 22.2 in an arbitral proceeding initiated under Chapter Ten (Investment) or Chapter Twenty-One (Dispute Settlement), the tribunal or panel hearing the matter shall find that the exception applies.”

²⁰ Growth projections for Argentina in 2010 are estimated at 4%, in line with growth expected for Latin America and the Caribbean; see ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean 2009* (Santiago: United Nations, December 2009).

Additional readings

Bezchinsky, G., M. Dinenzon, L. Giussani, O. Caino, B. López, and S. Amiel, “Inversión extranjera directa en la Argentina. Crisis, reestructuración y nuevas tendencias después de la convertibilidad,” in B. Kossacoff, ed., *Crisis, Recuperación y Nuevos Dilemas: La Economía Argentina 2002-2007* (Buenos Aires: ECLAC, 2007), pp. 149-185.

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ProsperAr 2008, *2008 Investment Report* (Buenos Aires: ProsperAr, 2008).

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Statistical annex

Annex table 1. Argentina: inward FDI stock, 2000-2008

(US\$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008
Argentina ^a	68	80	43	48	56	62	68	77	80
Memorandum: comparator countries									
Mexico	97	140	164	181	204	226	246	273	295
Brazil	122	122	101	133	161	181	221	310	288
Chile	46	44	42	54	61	74	80	100	101
Colombia	11	15	18	21	25	37	45	56	67
Peru	11	12	13	13	13	16	21	27	30

Source: ProsperAr, based on data from the National Office for International Statistics, at the National Institute of Statistics and Census (INDEC); Argentina's Central Bank (BCRA); and UNCTAD.

^a Data from 2000 to 2003 cited from INDEC reports. Data from 2004 to 2008 cited from BCRA reports. There was a change in the series in 2001 because of methodological improvements. The abrupt change in stock between 2001 and 2002 is due to the end of the Convertibility Law (1:1 Argentine peso-US dollar parity) and the subsequent devaluation of the Argentine peso.

Annex table 2. Argentina: inward FDI flows, 2000-2009

(US\$ million)

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 ^a
Argentina	10,418	2,166	2,149	1,652	4,125	5,265	5,537	6,473	9,726	4,895
Reinvested earnings	261	-3,306	-924	-808	71	1,156	3,108	2,050	396	3,090
Equity contributions	2,793	3,650	4,516	3,011	2,967	3,813	1,939	2,297	3,839	2,056
Intercompany debt	1,088	1,000	-2,992	-515	1,029	-481	263	1,846	4,777	-251
Changes in ownership	6,276	821	1,549	-36	59	777	227	280	714	0
Memorandum: comparator countries										
Brazil	32,779	22,457	16,590	10,144	18,146	15,066	18,822	34,585	45,058	22,800
Chile	4,860	4,200	2,550	4,307	7,173	6,984	7,298	12,577	16,787	12,900
Colombia	2,436	2,542	2,134	1,720	3,016	10,252	6,656	9,049	10,564	8,600
Peru	810	1,144	2,156	1,335	1,599	2,579	3,467	5,491	4,808	6,200

Source: ProsperAr, based on data from the National Office for International Statistics, INDEC, and UNCTAD.

^a Preliminary data based on INDEC and UNCTAD.

Annex table 3. Argentina: sectoral distribution of inward FDI stock, 2000-2008^a
(US\$ million)

Sector / industry	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total	67,601	79,504	43,146	48,298	55,731	61,920	68,219	76,778	79,902
Natural resources	17,657	19,042	12,105	13,372	18,918	21,781	23,674	26,607	26,097
Petroleum	16,888	18,104	11,749	12,951	15,392	17,161	17,919	19,907	18,031
Mining	769	938	356	421	1,252	1,895	2,750	2,978	3,866
Agriculture, forestry and fishing	...	...	...	...	2,274	2,724	3,005	3,722	4,200
Manufacturing	19,919	22,562	13,721	14,818	19,865	21,139	23,214	26,412	29,441
Chemicals, rubber and plastics	5,740	7,340	4,230	4,638	6,412	6,500	6,563	7,360	7,768
Food products, beverages and tobacco products	5,805	6,751	3,958	3,904	3,342	3,482	3,433	3,755	4,243
Basic metals and fabricated metal products	1,402	1,392	1,115	1,785	2,445	2,639	3,687	4,036	4,655
Machinery and equipment	1,280	1,329	845	585	1,142	1,249	1,422	1,792	1,986
Motor vehicles and transport equipment	3,162	3,146	2,042	2,207	...	...	...	...	...
Automotives	...	...	...	...	2,892	3,356	4,055	4,945	6,227
Paper and paper products	1,517	1,460	832	913	...	...	...	...	...
Paper, publishing and printing	...	...	...	...	928	1,028	1,037	1,101	1,086
Cement and ceramics	750	839	524	618	...	...	...	...	...
Textiles and leather products	262	305	175	168	...	...	...	...	...
Other manufacturing	...	...	...	...	2,704	2,886	3,017	3,423	3,477
Financial services	7,206	7,012	2,610	2,934	2,307	2,425	2,723	3,087	3,392
Other services	22,819	30,888	14,710	17,173	14,639	16,576	18,608	20,672	20,972
Electricity, gas and water supply	7,951	9,043	3,969	4,876	4,989	5,039	4,932	4,977	4,345
Wholesale and retail trade	2,938	5,253	3,086	2,958	2,092	2,266	2,632	3,092	3,423
Communications and transport	6,997	9,473	4,785	4,349	...	...	...	...	...
Communications	...	...	...	...	2,672	3,518	4,267	4,416	4,390
Other services	4,933	7,119	2,870	4,991	4,887	5,752	6,777	8,187	8,814

Source: ProsperAr, based on data from the National Office for International Statistics, INDEC, and Argentina's Central Bank (BCRA).

^a Data from 2000 to 2003 cited from INDEC reports. Data from 2004 to 2008 cited from BCRA reports. Industry classifications change in some cases due to the combination of two different data sources.

Annex table 4. Argentina: geographical distribution of inward FDI stock, 2000-2008^a
(US\$ million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
World	67,601	79,504	43,146	48,298	55,731	61,920	68,219	76,778	79,902
Europe	36,873	44,029	23,714	26,234	32,491	36,372	39,783	44,432	44,173
Spain	16,612	18,413	10,063	11,786	16,901	18,986	21,413	23,259	22,991
Netherlands	5,470	6,426	3,151	3,230	4,115	5,162	5,090	5,662	6,421
France	4,971	6,734	2,685	2,888	2,564	2,597	2,213	2,607	2,400
United Kingdom	2,359	2,239	1,543	1,619	1,349	1,335	1,502	1,451	1,588
Germany	2,090	1,876	1,166	1,472	1,712	1,679	1,702	2,150	2,425
Italy	2,729	3,107	1,215	1,248	1,063	1,211	1,214	1,407	1,295
Other Europe	2,642	5,234	3,891	3,991	4,787	5,401	6,648	7,895	7,053
North America	17,641	21,777	12,321	12,232	11,869	13,501	14,307	16,522	17,219
United States	15,864	19,392	10,888	10,858	10,248	11,794	12,151	13,482	13,622
Canada	...	...	...	...	1,280	1,385	1,600	1,946	2,190
Mexico	...	...	...	...	341	321	555	1,094	1,407
Other North America ^b	1,777	2,385	1,433	1,374	...	...	...	...	...
South America	5,113	6,638	4,899	5,391	5,264	6,289	7,495	9,152	11,357
Chile	3,445	3,616	2,090	2,118	1,878	2,598	2,974	3,493	4,181
Brazil	...	...	...	...	1,727	2,374	2,661	3,567	4,786
Uruguay	...	...	...	...	1,602	1,251	1,767	1,869	1,951
Venezuela	...	...	...	...	23	29	48	113	226
Other South America	1,667	3,022	2,809	3,273	35	39	45	109	213
Central America and Caribbean	6,388	5,014	1,267	3,607	5,209	4,892	5,617	5,426	5,773
Other regions	1,586	2,046	945	833	897	866	1,017	1,247	1,379
Africa	...	...	...	...	11	15	20	23	24
Asia and Oceania	...	...	...	...	710	849	986	1,210	1,332
Australia	...	...	...	...	356	445	573	584	579
Japan	...	...	...	...	132	169	165	252	250
China	...	...	...	...	13	11	44	118	157
Other Asia and Oceania	...	...	...	...	209	225	204	257	347
Other	...	...	...	...	176	2	11	14	24

Source: ProsperAr, based on data from the National Office for International Statistics, INDEC, and Argentina's Central Bank (BCRA).

^a Data from 2000 to 2003 cited from INDEC reports. Data from 2004 to 2008 cited from BCRA reports. Country classifications change in some cases due to the combination of two different data sources. ^b Data for 2000-2003 correspond to Canada and Mexico together since they are not available for each individual country. For 2004-2008, this category does not apply since individual country data is available.

Annex table 5. Argentina: principal foreign affiliates, ranked by total foreign assets, 2006-2008^a
(US\$ million)

Rank	Name	Industry	Country of origin	Foreign assets ^b			Net sales ^b		
				2006	2007	2008	2006	2007	2008
1	Repsol YPF	Oil and gas	Spain	11,419	12,017	10,949	7,725	8,743	10,170
2	Petrobras Energia	Oil and gas	Brazil	5,079	5,268	5,183	2,439	2,741	3,054
3	Pan American Energy	Oil and gas	United Kingdom	2,335	2,764	3,390	1,743	1,778	1,927
4	Telefonica S.A.	Telecommunications	Spain	4,025	4,219	3,713	2,891	3,333	3,956
5	Telecom Argentina S.A. ^c	Telecommunications	Italy	3,090	3,246	3,230	2,407	2,938	3,425
6	Cargill S.A.	Food and beverage	United States	1,509	1,465	2,101	4,046	3,187	6,808
7	Claro Argentina	Telecommunications	Mexico	1,489	1,731	1,880	1,527	1,985	2,410
8	Shell C.A.P.S.A.	Oil and gas	Netherlands	1,138	1,205	1,257	1,690	1,950	2,177
9	Volkswagen Argentina	Automotive	France	757	828	1,252	1,749	2,257	2,638
10	Peugeot Argentina	Automotive	Germany	840	972	1,169	1,252	1,732	2,135
11	Bunge Argentina S.A.	Food and beverage	United States	570	1,089	1,145	1,836	2,458	3,083
12	Acindar-Arcelor Mittal Group	Metal and steel	Belgium	967	1,083	1,056	891	982	1,245
13	Minera Alumbrera Limited	Mining	Switzerland	1,378	1,033	953	1,584	1,565	1,234
14	Ford Argentina	Automotive	United States	789	856	872	1,561	1,877	2,112
15	Cerveceria y Malteria Quilmes S.A.I.C.A. y G.	Food and beverage	Brazil/ Belgium	801	841	885	721	861	1,061
16	Nidera S.A.	Food and beverage	Netherlands	502	663	764	846	1,186	1,644
17	General Motors	Automotive	United States	426	568	622	1,019	1,614	1,800
18	Toyota Argentina S.A.	Automotive	Japan	439	549	608	1,009	1,504	1,700
19	Fiat Auto Argentina	Automotive	Italy	244	342	524	560	771	1,266
20	Wal Mart Argentina S.R.L.	Retail	United States	313	421	491	426	625	948

Source: Investment Observatory, ProsperAr.

^a Excludes financial companies.

^b The following Argentine Peso/USD exchange rates, based on the rates of the International Monetary Fund (<http://www.imf.org>) at the end of each year, were used throughout for asset values of companies whose financial statements closing date is at the end of each year (the majority): 3.45 (2008); 3.15 (2007); 3.06 (2006). For sales values, the following annual average exchange rates, based on the rates of Argentina's Central Bank, were used throughout for these companies: 3.16 (2008); 3.11 (2007); 3.07 (2006). For those companies whose financial statements closing dates differ from December 31, exchange rates at the end of their accounting year were used for asset values and average exchange rates during their accounting year were used for sales values.

^c 50% Telecom's shares are owned by Argentine Werthein Group while the remaining 50% of the shares are owned by Telecom Italia.

Annex table 6. Argentina: main M&A deals, by inward investing firm, ranked by value, 2007-2009^a

Year	Acquiring company	Target company	Target industry	Home country	Announced transaction value (US\$ million)	Shares acquired (%)	State of transaction
2009	Alternative Investment Corporation	El Tejar	Agriculture	Europe/ United States	150	17	In process
2009	Votorantim L.E	Cementos Avellaneda	Cement	Brazil	200	50	In process
2008	Marfrig Group	Mirab S.A.	Food and beverage	Brazil	36	100	Completed
2008	Baldwin Enterprises	Cresud	Agriculture	United States	45	9	Completed
2008	Lupatech/Axxon	Aspro	Oil and gas	Brazil	49	100	Completed
2008	Alicorp	The Value Brands Argentina	Chemicals	Peru	66	100	Completed
2008	Cargill Inc.	Friar S.A.	Food and beverage	United States	70	100	Completed
2008	Embotelladora Arca	Yege Argentina	Food and beverage	Mexico	80	100	Completed
2008	Fundo de Investimento em Participacoes (PCP)	Los Grobo	Agriculture	Brazil	100	25	Completed
2008	PSAI-IPH	Exlogan ITL	Transport	Singapur	100	80	Completed
2008	Navios Maritime Holding	Horamar	Transport	Greece	112	64	Completed
2008	Embotelladora Arca	Grupo Guerrero	Food and beverage	Mexico	250	100	Completed
2008	Arcelor Mittal Group	Acindar	Metal and steel	Belgium	542	36	Completed
2007	Arcelor Mittal Group	Compañía Naviera Horamar S.A.	Metal and steel	United Kingdom	50	100	Completed
2007	Grupo Televisa S.A.	Editorial Atlantida	Publishing	Mexico	79	100	Completed
2007	Marfrig Group	Quickfood	Food and beverage	Brazil	141	71	Completed

Source: Investment Observatory, ProsperAr.

^a Excludes financial companies.

Annex table 7. Argentina: main greenfield projects, by inward investing firm, 2007-2009^a

Year	Investing company	Joint venture partner	Home country	Sector	Announced value (US\$ million)
2009	Libra Holdings		United States	Hotels and restaurants	475
2009	Occidental Argentina Exploration & Production, Inc		United States	Oil and gas	342
2009	Wal Mart		United States	Retail	280
2009	Telefonica S.A.		Spain	Telecommunications	433
2009	Grupo Beltrame		Italy	Metal and steel	400
2009	Barrick Gold		Canada	Mining	1,500
2009	Yamana Gold Inc.		Canada	Mining	652
2009	Vale do Rio Doce		Brazil	Mining	2,500
2009	Casino Club S.A.	Cirsa	Argentina-Spain	Media and entertainment	270
2008	Quantum Fund		United States	Agriculture	511
2008	Jumeirah International	New Side	United Arab Emirates	Hotels and restaurants	680
2008	British Petroleum/Bridas		United Kingdom	Oil and gas	1,250
2008	Repsol YPF		Spain	Oil and gas	11,700
2008	Telefonica S.A.		Spain	Telecommunications	875
2008	Grupo Mall		Spain	Hotels and restaurants	600
2008	Telecom Italia		Italy	Telecommunications	682
2008	Fiat Automobiles		Italy	Automotive	307
2008	Petroleos Brasileños S.A.		Brazil	Oil and gas	2,400
2008	Gerdau		Brazil	Metal and steel	310
2007	Agco Allis		United States	Machinery and equipment	625
2007	Telefonica S.A.		Spain	Telecommunications	1,069
2007	Xstrata Plc		Chile	Mining	950
2007	Cencosud		Chile	Retail	700
2007	El Plomo		Chile	Construction and real estate	600

Source: Investment Observatory, ProsperAr.

^a Excludes financial companies. Announcements may correspond to investments to be implemented in a period of up to five years.