

Setting the agenda from a developing country: Argentina's infrastructure and investment needs at the centre of attention

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Executive Summary

Coming from the developing world, it is extremely difficult to make your needs known and have your voice heard. The G20 Summit hosted in Buenos Aires, gives Argentina the opportunity to set the agenda for world leaders to discuss. Being in this position is historic, and Argentina has made the most of it.

Emergent and developing economies require external investment and help building infrastructure to overcome their problems and crisis. This policy brief argues that although the Summit is a one-of-a-kind event, where the country can promote itself and the Latin American region as a plausible and reliable recipient of investment and financing for

infrastructure; Argentina's political, legal, social and economic context plays a major roles in determining if investors would indeed seek to deploy their capital here. In other words, it is not only about what happens in the G20 Summit, but what the country has to offer and how it plans to secure it afterwards.

Help to grow: infrastructure for development

The amount and the quality of the infrastructure determines, to a large extent, the competitiveness, the economic growth and the social welfare of countries. The development of infrastructure allows countries to be more prosperous and, at the same time, more

inclusive. It closes inequality gaps between people, social groups and regions.

On average, the amount spent on infrastructure in developed countries is around [4% of the GDP](#), including both private and public investment. However, this is not the case for less developed countries. For instance, Argentina only reached an average of [3.8% in between 2008 and 2015](#). This is much less than the amount spent in China, which takes up to an [8.5%](#).

Developing countries are in desperate need for this kind of investment, especially at a time when the world still hasn't recovered from the 2008 economic crisis and there are some regimes and countries, which are pulling back from international free trade standards, markets and institutions. For developing countries to thrive, it is imperative to receive support from the leading world economies, institutions and companies.

That is why one of the three main priorities that Argentina chose for the G20 countries to work on during its presidency

is the financing of infrastructure, especially in developing and emerging countries. The main objective is to achieve greater participation of the private sector to enhance "investment for development".

In this sense, Argentina has self-proposed to represent all Latin American countries during the G20 Summit. Most of these countries are still developing and their voices and needs are usually not taken into account in international forums.

For Argentina, this Summit is historic. The country has one chance to show the world that it is a country to be taken seriously. For Argentinian officials, a successful summit could mean that they finally get the investment in infrastructure they need in order for the country to grow. However, an unsuccessful summit could have the opposite impact, reassuring investor's doubts about the country's security and stability.

Changing tides, new priorities

Economic and financial areas have always been the main focus of the G20's Summits. This comes as no surprise, given that the Summit was born after the 2008 financial crisis. Priorities among this agenda have shifted through time, mostly focusing on opening up world economies further to free trade, increasing global GDP growth, improving foreign direct investment and avoiding currency wars and protectionism.

However, given the nature of the country that is hosting the Summit, this year the focus shifted to "infrastructure for development". After the change of government in 2015, the Argentinian president Mauricio Macri, started following a "[smart integration](#)" into the world strategy, to overcome the country's previous isolation, economic crisis and lack of funds. Following the [words of the Argentinian Minister of Economy Sigal](#), the country had to choose priorities which were relevant to the world, the economies of the members and Argentina, and so they decided to focus

on infrastructure, due to the big gap that exists in this area.

During the meeting held in Buenos Aires at the beginning of the year among Finance Ministers and presidents of Central Banks, the leaders agreed to promote the necessary conditions in order to improve and develop infrastructure and to make it attractive to private investors.

Moreover, the B20 and the C20 affinity groups strongly approved of this choice and included recommendations for the leaders to take into account in their communiqués. [In the words of Blejer from the B20](#): "the more investment in infrastructure, the better the capability of a country to compete on the world market". Most of the suggestions made by both this groups, involve not only discussion on how to improve the quantity of investment, but also how to improve the quality and efficiency of the infrastructure that's being financed.

Even if most declarations of the G20 Summit take long and tiring discussions, consensus is hard to reach and afterwards decisions are difficult to implement, the

Argentinian presidency holds the belief that ideas and proposals can be turned into concrete policies and instruments for development.

Expectations versus reality

There was much expectation surrounding the Argentinian presidency during this G20 Summit. Being the host country, Argentina had the chance to set the agenda for the first time in history, and also to choose the priorities for leaders to discuss and agree on. This gave the country, and the region, the opportunity to promote itself as a safe haven for investment opportunities and trade deals.

The Argentinian leader, Mauricio Macri has always been a strong advocate for investment in the country. That is why, the Summit was an excellent opportunity to reach a consensus to guarantee macroeconomic global stability and enhance infrastructure for development. The leaders discussed alternatives to make infrastructure an attractive alternative for the private sector. This is especially important for the country given

that it does not have the money to promote public infrastructure by itself. Instead, the Argentinian government is promoting projects of [PPP](#) (public-private partnerships).

Despite good intentions, even with a positive summit outcome in terms of agreements among leaders, conversations are not legally binding. That being said, the Argentinian leader did his best to try to promote consensus, reach common ground and decisions among all leaders, but that does not mean Argentina will receive the financing in investment it desperately needs or achieve any of its proposed goals at all.

Much was already said and promised to Argentina regarding financing and investment for development, however, little actually came true. While investors in [M&A](#) from the USA, Europe and Asia nowadays have “more confidence” on investing in Latin America; [only 1%](#) of them would choose to invest in Argentina. Most see better opportunities in Chile, Brazil and Mexico.

Clearly, not everything is about conversations and summits. Much of what drives the attention of private investors when looking for a country to deploy their financing is the government's credibility, political stability and the legal framework that exists there, and Argentina is falling behind in these matters.

If the Macri administration hopes that a successful summit will finally get the much promised and needed investment for development from other countries and the private sector, this will likely not be the case.

Still, not everything would be in vain. The Summit can function as another way to show the world that if Argentina is capable of hosting such an important event, it is also prepared to welcome investment. Nevertheless, it would be just another symbolic act. In order to attract investors (specially from the private sector), there is a need to display an environment of legal, economic and political security and stability, which has not been common in the country's history.

Success... But will the Summit matter in the end?

There is no doubt around the fact that the Summit was a complete success. All leaders were left with good impression of the country and the Macri administration. Even the IMF President, [Christine Lagarde](#), congratulated President Macri, on the excellence of the G20 Summit, and expressed that the IMF would continue to support Argentina. However, will this be enough to attract the financing and investment the country so desperately needs?

President Macri signed [important agreements](#) with the United States (regarding investment on infrastructure and energetic cooperation), China (related to investment in trains, solar and thermal energy), Russia (regarding fishing and agriculture) and Japan (related to a bilateral investment trade), among others.

Despite this victory for the Argentinian president, the battle has just begun. It is one thing to be able to get the investors to agree to invest in the country. But it is another to secure them once they arrive.

Argentina is not well known for its stability and legal protection framework for investments. It is a country with a volatile political, economical and social context. Unions are strong and there is constant social unrest. This could be a deterrent for investors.

The government's focus should now be moved to creating a safe and controlled environment inside the country in order to appeal investors to stay. This is no

minor task, taking into the account the history of this land and the fact that President Macri's time in office is running out, with presidential elections being held next year.

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