

INTERNATIONAL TEAM PROJECT: ARGENTINA 2009

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Paper Title: Regulating to Death: Retenciones, Farmers, and Export Controls under the Kirchner Government

Abstract:

This paper examines the agricultural policies of Argentine Presidents Néstor Kirchner and Cristina Fernández de Kirchner with regard to export taxes (“*retenciones*”) on Argentina’s key agricultural commodities: soy, corn, wheat and beef. We trace the advent of the *retenciones* tax back to President Néstor Kirchner’s administration in 2002, when Argentina underwent an inflation crisis that has persisted through the present day. Prior to our field interviews, we applied basic economic principles to surmise that the *retenciones* tax is ineffective. The *retenciones* tax strangles the agricultural sector for revenues while it fails to achieve the lower domestic food prices that justified its inception in the first place.

We interviewed farm companies, exporters, attorneys, academics, and government officials in Buenos Aires and Mendoza, Argentina to speak to our theory. Overwhelmingly we discovered that our theory was correct. We learned of the centrality of agriculture in the Argentine economy and the increasing degree to which the government relies on it for revenue. We also learned that the government’s quest for much-needed revenue has come at the expense of the farming and exporting communities, both of which have suffered profound financial setbacks and severe job loss. Farmers have united around the nation to protest the *retenciones* tax, which has generated great publicity at the chagrin of the administration. Our interviews confirm, moreover, that President Fernández de Kirchner’s popularity is plummeting. We also learned of the limitations of the Argentine legal system to enable social and political change. Our interviews suggested that it is the political process, despite its history of entrenchment and corruption that is the optimum way to affect policy change in Argentina.

We conclude that the *retenciones* tax bites the hand that feeds it. Argentina needs money to pay its debts and finance public improvement, but it has strained the agricultural sector at its own peril. The financial crisis, which will but has not yet struck Argentina, could further cripple farmers and exporters. Only time will tell how the Argentine agricultural community will respond.