



## KEYNOTE ADDRESS VICTORIO TACCETTI

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### SMM Hamburg (Shipbuilding Machinery and Marine Technology)

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Mr. Pablo Garcia, Director de Proyectos de Inversión e Internacionalización Productiva - Bank of Productive Investment Projects, from SUDIC (Subsecretaría de Desarrollo de Inversiones y Promoción Comercial)

Mr. Miguel Ángel Álvarez, representative of FINA, Argentine Naval Industry Federation

Mr. Jorge Proios, President of PROIOS shipyard

Mr. Santiago Sánchez Negrete, from Astilleros Río Santiago shipyard Ladies and Gentlemen,

It's a great pleasure for me to attend the Twenty-fifth edition of the SMM Hamburg International Naval Industry Fair. It is particularly exciting to take part in this Seminar for the promotion of the naval industry, which is so significant for Argentina because of our history, our geography (Argentina has a seashore line longer than 5.000 km) and fortunately enough because of our present. This present is configured by the economic model that since 10 years ago has enabled the full recovery of this industrial sector in Argentina.

In this particular opportunity, this prestigious fair features -for the first time ever- an entire pavillion dedicated exclusively to the argentine naval industry. The importance of this key sector for Argentina is fully understood only when considered in the wider framework of the current Argentine economic structure, in which a pivotal role has been assigned to the industry and to the workforce as its cornerstone. Under these specific conditions, the naval sector has experienced a booming growth, after former economic policy in the 90's in Latin America and other parts of the world had gone against the most valuable capital an economy has: its human resources.

As a consequence, we have witnessed a decade from now in Argentina a process in which a central role has been given to the kind of industries that -like the naval industry- requires a specialized workforce and produces goods with a high added value and are also labour intensive. As we know, the instruction and the particularly lengthy process of development of the human resources for the naval industry takes place mainly in its same productive units/factories and is of course essential for the industry.

As it's well known, the shipbuilding and ship repairing industries include not only their very own facilities but also a group of satellite companies that provide the equipment and machinery and supplies that are required for this industry. Thus, it constitutes a capital goods sector of great relevance for an economy, as it creates productive linkages with several other industries.

Therefore, it's been in this particular framework of an economic policy oriented to the reindustrialisation of Argentina where the recovery and revival of the argentine naval industry took place. The preconditions to this recovery have been the creation of certain favourable economic conditions and legislation, directed to create a virtuous cycle of sustainable economic growth with equality, and this has been implemented in Argentina over almost a decade. Together with the rise of a new project of industrial development since 2003, the naval industry sector has showed this unprecedented recovery that caused an improvement in its performance, the raise of its economic activity level and the sector productivity. In particular, in 2004 a whole array of regulatory and financial policies were implemented in order to consolidate the recovery of the industry, providing it with a solid institutional framework.



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In particular we can mention the facilitation for the purchase of capital goods for the industry, and the national flag treatment secured to ships hired under the temporary import regime by Argentine shipowners.

Also, in 2008, the Argentine government accomplished the creation of the Argentine Naval Industrial Complex (CINAR), merging the facilities of Tandanor and Almirante Storni shipyards. Tandanor is one of the biggest shipyards in South America for naval repairs, and boasts an experience of more than a 100 years. Currently, it is based in the Planta de Dársenas al Este, inside the Buenos Aires dock. Almirante Storni is a submarine shipyard with modern facilities. In the last year, the Argentine government has started a plan to recover and increase CINAR capabilities, with the aim of repositioning the company in the international market of ship-building and ship-repairing.

Coming now to the investment prospects the Argentine economy provides, we can mention first of all that Argentina is a very open country to Foreign Direct Investment (FDI), particularly one of the eleven more open to the FDI economies in the World. Among the G-20 economies it is only surpassed by Germany in its openness level. Besides this, Argentina is the second most open economy in Latin America, according to OECD figures, particularly the "FDI Regulatory Restrictiveness Index" for 2012. In the last ten years, Argentina has received a level of FDI which has been higher than its average in the last 30 years. And according to UN figures, Argentina is the South American country which has the largest proportion of technological intensive projects as a part of the investment in the country.

Again according to the UN, more than 2.000 foreign companies are operating in Argentina, with a vision of a long term investment in the country, and thus benefiting from an attractive profitability. Thus, high levels of profitability are another remarkable feature of foreign investment in Argentina. Profits as a percentage of FDI stock averaged 10% during the period from 2006 to 2009. The Profit/Sales Ratio for the leading foreign firms operating in the country averaged 12.5% between 2008 and 2009, and reached 13.7% in 2010.

Accompanying the economic expansion registered in the last years, the foreign direct investment (FDI) has also seen a process of robust growth in the last ten years. The good results attained in FDI can be seen crystal clear in the following figures: FDI inflows to Argentina grew 43% per year on average from their lowest level in 2003 to 2008, when they reached a record USD 9.7 billion. It contracted during 2009 in line with trends around the world as a result of global economic crisis, but began to grow once again in the last two years.

The composition of FDI has improved steadily since 2004, largely driven by an increase in the productive capacity of foreign companies established in Argentina, the arrival of new international firms and Greenfield investments. This can be observed by an increase in the share of new capital injections and reinvested earnings, as well as a very low rate of mergings and acquisitions.

The manufacturing sector represents the highest proportion of FDI stock, reaching 40% of the total in 2010, while natural resources is slightly slower, standing at 31%, followed by the services sector (29%).

As it is usual in economies integrated to the world market, the growth of the GDP in Argentina has a direct correlation to its international trade, which has grown steadily over the last nine years.

The degree of openness of the Argentine economy (exports plus imports over GDP) reached 35%, the highest level in the last 20 years

Other conditions that make of Argentina an attractive investment destination are its prodigious natural resources, its high level of human development and a stable and democratic governmental system.

Concerning the second point, its skilled workforce, we can say that Argentina has prestigious institutions, companies and public and private universities dedicated to the development of science and



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technology; many of them can be proud of over fifty years of expertise and international renown. Some of the best known are the National Council for Scientific and Technical Research (CONICET) the National Atomic Energy Commission (CONEA), INVAP, a company specializing in nuclear and space technology, and the National Institutes for Agriculture and Industrial Technology (INTA and INTI).

Concerning Argentina's regional integration it's necessary to mention its membership to the MERCOSUR, which is a key element to understand the investment possibilities the country offers. Mercosur, the Common Market treaty signed by Argentina, Brazil, Uruguay, Paraguay and Venezuela is one of the common pillars of the foreign relations of these countries, and it is impossible to understand Argentina's investment prospects without considering it as a part of this block. This common market has increased exponentially not only the trade between their members, but also the level of integration between the industries and the economies of the countries. A good example of this is the deep production linkages that exist between the Argentine and Brazilian automotive industries and we can say that towards this direction is going the naval industry as well. Besides, Mercosur granted access to the internal markets of the other member countries, which all in all totals more than 250 million people. Mercosur members negotiate trade agreements jointly. This kind of agreements, reached with other Latinamerican nations, have created a free trade area in South America. MERCOSUR has also trade agreements with India, Southern African Customs Union, Israel and Egypt.

The importance Argentina concedes to investment is reflected in the numerous institutions and incentive programs in place -at national, provincial and municipal levels- which have been designed to facilitate domestic and foreign investment likewise in the country. These include horizontal and sector incentives as well as relocation, innovation, technological development, employment, investment financing and export promotion incentives.

Also it's very important to mention the work of the SUDIC Undersecretary of the Argentine Ministry of Foreign Affairs, institution whose main objective is the worldwide promotion of the investment opportunities Argentina offers and to support and give specific and tailored advice to the needs of foreign investors. It's also worth mentioning the BAPIP, Bank of Productive Investment Projects, over which my colleague Pablo Garcia will further elaborate, and also the creation of an Argentine Naval Industry Group that puts together the most important actors of this sector, coordinated by the PDCEX programme from the Argentine Ministry of Foreign Affairs.

Within this Twenty-fifth edition of the SMM Hamburg, I am delighted to welcome to our Pavillion this year the largest attendance of expositors from our country, consisting of 9 representatives from the most significant companies, associations and chambers of this sector. This substantive presence is the most conclusive proof of the vitality and current dynamism of our naval industry, and of all the achievements that were obtained in the last ten years and the challenges that lay ahead.

Thank you very much