

UPDATE: Argentina Presidential Decree Extends Government Sway Over Cos
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(Updates with statement from manufacturing trade group in paragraph 5.)

By Taos Turner
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BUENOS AIRES -(Dow Jones)- Argentina's government increased its sway over dozens of companies through a presidential decree on Wednesday that removes limits on its ability to vote the shares it owns in many of the country's biggest corporations.

Pension agency Anses owns stakes in 42 local companies after the government nationalized the private pension system at the peak of the 2008-09 financial crisis. Anses said its stock holdings were valued at about ARS21.58 billion (\$5.3 billion) at the end of last November, equivalent to 12.4% of its investment portfolio.

"The larger participation of the government in these private companies increases the risk that corporate strategies could be politicized or potentially biased towards noncommercial objectives," Goldman Sachs economists Alberto Ramos wrote in a research note.

Meanwhile, in a column published Wednesday in newspaper La Nacion, Carlos Pagni said the government has already tried to place a partisan political activist on the board of directors at steel maker Siderar SA (ERAR.BA).

In a blunt statement, Argentina's powerful manufacturing trade group, the UIA, questioned President Cristina Fernandez's decision to bypass Congress on the matter and asked the executive to reconsider the decree.

Argentina's benchmark Merval stock index showed scant reaction to the decree, closing nearly 0.2% higher on volume of ARS39.9 million.

"Anses has a great deal of influence over these stocks now," said Eduardo Blasco, an analyst at Maxinver. "If Anses moves in the market it can really affect prices."

Blasco attributed the local market's muted reaction to the fact that Anses hasn't made any dramatic moves with its equity holdings since the pension takeover.

As a result, investors are giving the government the benefit of the doubt, assuming it won't act abruptly now, he said.

Until Wednesday, the government's voting rights were capped at a 5% equity stake even if its actual ownership in a firm exceeded that level. That prevented the president from unilaterally naming board members and curtailed her influence over other corporate decisions.

When Congress debated the pension nationalization bill in 2008, opponents agreed to pass the bill only after assurances that the state's influence over corporate decisions would be limited by the 5% rule.

But the decree published in the Official Bulletin abolished that limit, greatly enhancing the government's influence, especially in the 32 companies in which its ownership exceeds 5%.

Anses has stakes of more than 20% in 15 companies, including Telecom Argentina SA (TECO2.BA, TEO), power distributor Edenor (EDN, EDN.BA) and banking concern Grupo Financiero Galicia SA (GGAL.BA, GGAL).

Anses Director Diego Bossio said via Twitter on Wednesday that the government wants to "exercise more control with more directors" in these companies. He said the state will push to have corporate dividends distributed in favor of Anses.

Bossio also said that while the state will watch over companies to ensure they make more money, it also wants them to generate "much more social profit." A spokeswoman for Bossio wasn't immediately available to clarify the matter.

A spokesman for the Economy Ministry wasn't available for comment.

"We'll have to see how this evolves," German Bertossa, an analyst at Silver Cloud Advisors, said in a phone interview.

"I think the main concern for investors is whether this means the government is becoming more like [Venezuelan President Hugo] Chavez," he said.

Blasco said the risk of Argentina's government becoming more like Venezuela's is limited. He said Venezuela's economy is in terrible shape and that Argentine officials are aware of this.

"The government makes some mistakes, but it's not crazy," he said. "By increasing their influence in these companies, it gains power at the negotiating table. That's what they want."

Yet, with a presidential election in October, the coming months may be filled with speculation about the government's plans for these companies.

"So far the government has been relatively prudent," Blasco said. "They're like a bull in a china shop, but so far they've only broken a little bit of glass."

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