Argentina: Notes On Foreign Investment, 1990

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According to a survey by Salomon Brothers, in 1990 Argentina received over $500 million of foreign private capital, and $1.4 billion in 1989. Most of the combined totals for both years consisted of redeployment of old debt, rather than new cash financing. A major exception was a $26 million note issue in December last year by Molinos Rio de la Plata, a major food processing firm. According to Emilio Lamar, managing director of Merrill Lynch, it was the first Argentine private sector external bond issue in 40 years. In reality, the bond issue was not placed abroad, since most of the issue was sold to retail Argentine investors who brought some of their flight capital home. According to Euromoney, Argentina's first genuinely international debt offering is unlikely to materialize in the near future. Argentine legislation requires borrowers to deduct a 14.4% withholding tax from interest paid to foreigners local investors are exempt. The law effectively increases borrowing costs for foreign investors. (Basic data from Euromoney, March 1991, p. 88)

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