



ARGENTINA

What's happening in this economy

Argentina is Latin America's third largest economy and one of the most developed in the region. The country is rich in natural resources, and has a highly educated population. Argentina is also home to large middle and upper classes with strong purchasing power, which makes an attractive market in a range of sectors of interest to Australia. These elements have aroused interest from companies, with increasing investments in resources, renewables, digital technologies, real estate, manufacturing and agribusiness.

On 27 October 2019 Peronist candidate Alberto Fernandez won Argentina's presidential election. His administration will be sworn into office on 10 December 2019 and will face some serious economic challenges. These include restoring Argentina's foreign currency reserves, servicing Argentina's national debt, stabilising the value of the Argentine peso, and stimulating economic growth. GDP is expected to contract by 2.9% in 2019, with annual inflation expected to exceed 55%. The President-elect has to date not been drawn on the specifics of his approach to economic policy. He has however indicated that stimulating economic growth will be an early priority.

Despite current challenges, Argentina remains an agricultural powerhouse with significant potential for growth. The country produces food for the equivalent of 400 million people, and the government hopes to increase agricultural exports by 50 per cent over the next decade. Argentina is also home to significant untapped mineral and energy resources, particularly in the region adjacent to the Andes. Argentina has the world's fourth-largest shale oil and second-largest shale gas reserves, the third largest reserves of lithium and abundant gold, copper and silver. The minerals and petroleum sectors are a focus of development in many provinces as well as at a national level. Argentina has a highly diversified industrial base compared to many other countries in the region, including automobiles, pharmaceuticals, chemicals, oil and gas, steel production and biotechnology. The services sector is also highly developed, including commercial services, retailing, real estate and construction, transport and communications. President-elect Alberto Fernandez has emphasised support for further development of the Vaca Muerta shale-oil deposit, the mining sector and industry.

Trade: two-way merchandise trade between Argentina and Australia has grown steadily over the past two decades but remains relatively modest (AUD 1,158 million in 2018), of limited diversity and with a balance in favour of Argentina. Australian exports to Argentina were valued at AUD 450 million in 2018 and consisted mainly of aluminium oxide (65.4 per cent) and coal (18.2 per cent). Argentine exports to Australia were valued at AUD 708 million and consisted principally of soy oilcakes and pellets (58.5 per cent), and goods vehicles (18.4 per cent). Bilateral trade in services is also modest (AUD 257 million in 2018) and mainly attributable to tourism, although Australian education services exports are increasingly significant.

Foreign investment: the level of overall foreign direct investment in Argentina has increased in recent years, but remains low compared to other countries in the region. During the last four years the outgoing government announced investment projects valued at USD 150 billion with a focus on the resources sector.

Key facts and figures

- Population: 44.6 million
- GDP growth: -2.5 per cent (2018)
- GDP p/cap: USD 11,626 (20,537 in PPP)
- Political system: Presidential Republic
- Two-way bilateral trade (2018): AUD 1,158m in goods; AUD 257m in services
- Australian investment in Argentina: AUD 784m
- Argentine investment in Australia: np



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The government's efforts to strengthen anti-corruption regulations and reduce red tape—as well as introduce business-friendly legislation in respect of public-private partnerships, SMEs, renewable energy and financing—have provoked greater interest in Argentina from international investors. There is still more to do to reform the labour system, deliver superannuation and tax reform, and modify laws that discourage development of strategic sectors such as mining (glacier protection) and agriculture (intellectual property protection for seeds and foreign ownership of land).

Trade, investment, and commercial opportunities and activities

- Australian commercial interests in Argentina are concentrated in mining and associated services. Australia has a strong presence in the exploitation of Argentina's significant lithium reserves:
 - this presence recently expanded to other minerals, including gold, silver and copper, and
 - Australian companies also operate in engineering and technical services, agriculture, logistics services and health.
- There are important opportunities to expand trade and investment in sectors such as agribusiness, renewable energy and the digital economy:
 - Australia is well placed to take advantage of its industry expertise and capabilities to diversify towards market niches with commercial potential, and
 - opportunities include in agricultural machinery and equipment, water and irrigation management technologies, fintech, agtech, medtech, and education services.
- Recent economic turbulence has unlocked opportunities. The uncertainty has depressed asset values which, when coupled with a series of currency depreciations, means that local assets are sometimes significantly undervalued. Depreciations have also increased labour force price-competitiveness and created better conditions for export-oriented industries:
 - capital controls introduced to stabilise the currency, while inconvenient, appear not to have dampened investor enthusiasm, particularly in the resources sector.
- There is increased Argentine interest in investment in agribusiness and manufacturing in Australia:
 - Australia's extensive network of FTAs and links with Asian value-chains is a particular selling point for potential regional investors.
- Opportunities include:
 - engaging in agricultural, energy and mining seminars, government and university events
 - sharing Australian experience in economic reforms, cooperation in e-certification, traceability, sanitary regulations, education reform, sustainable mining regulations and mine closure, and
 - strengthening engagement with the government and provinces on mining projects and METS.



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Trade policy and negotiations

Australia works closely with Argentina in the G20 and WTO to promote agricultural trade reform. Australia strongly supports Argentina's bid for OECD membership.

Argentina does not have an FTA with Australia but bilateral Investment and double taxation treaties are in force. Australia continues to engage with Argentina through the CER–MERCOSUR dialogue and bilaterally to further strengthen trade and investment ties.

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