



ARGENTINA

Business Conditions Snapshot

- 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 renders it 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, professional services, real estate, manufacturing and agribusiness.
- The country is facing serious economic challenges, including the loss of foreign currency reserves, accelerating inflation and sovereign debt renegotiation with the International Monetary Fund.
- Current business confidence is low, as the crisis has led to import restrictions and controls on capital movements. However Argentina has successfully restructured its debt with private bond holders, providing relief from repayment for several years. In addition to debt relief, the recent increase in prices of key Argentine exports may provide exchange rate stability and permit the Argentine Government to ease current restrictions.
- Economic prospects for 2021 are mixed: high inflation and a fiscal deficit will persist, but the government is expected to reorient policy towards more market-based settings. A new Extended Fund Facility agreement with the IMF—expected in the first part of 2021—will help the country achieve the necessary structural reforms to eliminate macroeconomic imbalances.
- Despite the economic challenges it faces, 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 endowed with significant untapped mineral and energy resources, particularly in the region adjacent to the Andes. Argentina has the world's fourth largest shale oil deposits, and second-largest shale gas reserves, the third largest reserves of lithium and abundant gold, copper and silver. The mining and energy sectors are a priority for development in several provinces as well as at a national level. Argentina has a highly diversified industrial base in

Key facts and figures

- Population: 45.4 million
- GDP growth: -3.1 per cent (2019)
- GDP per capita: US\$9,887 (2019)
- Political system: Presidential Republic
- Two-way trade: A\$1,183 million (2019)
- Australian investment in Argentina: A\$784 million (2019)



comparison to many countries in the region, including large automobile, pharmaceutical, chemical, oil and gas, steel production and biotechnology industries.

- The services sector is also highly developed, including knowledge-based services, e-commerce, real estate and construction, transport and communications. President Alberto Fernandez has expressed the need for Argentina to adopt a more regionally diversified and export-oriented economic base, including support for further development of the Vaca Muerta shale-oil deposit, mining projects and innovation in the agriculture sector.
- Two-way merchandise trade between Argentina and Australia has grown steadily over the past two decades but remains relatively modest (A\$1,183 million in 2019), of limited diversity, and with a balance in favour of Argentina. Australian exports to Argentina were valued at A\$331 million in 2019 and consisted principally of aluminium oxide (71.7 per cent) and coal (13.0 per cent). Argentine exports to Australia were valued at A\$852 million and consisted principally of soy oilcakes and pellets (60.4 per cent), and goods vehicles (14.8 per cent). Bilateral trade in services is also modest. Pre-pandemic growth in tourism and education services exports have highlighted the growth potential of the market.
- The level of overall foreign direct investment in Argentina has plateaued after steady growth in recent years. Overall investment levels remain low in comparison to other countries in the region. Despite economic turmoil in recent years, opportunities arising from Argentina's vast natural resources and the availability of a highly educated workforce make the country an attractive long-term prospect for investment.
- Opportunities are most apparent in sectors that are export-oriented and therefore largely isolated from domestic economic instability. However the Argentine government still has much to do to reform the labour market, deliver superannuation and tax reform, and modify laws that currently discourage development of strategically important sectors such as mining (glacier protection) and agriculture (intellectual property protection for seeds and foreign ownership of land).

Trade and Investment Opportunities

- Australian commercial interests in Argentina are concentrated in mining and associated services. Australia has a strong presence in Argentina's significant lithium reserves.
 - This presence has recently expanded to other minerals, including gold, silver and copper.
 - Australian companies also operate in engineering and technical services, agriculture and ag-tech, logistics services, and health and med-tech.
- There are important opportunities to expand trade and investment in sectors such as agribusiness, renewable energy and the digital economy.



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- Australia is well placed to take advantage of its industry expertise and capabilities to diversify towards market niches with commercial potential.
- Opportunities include in agricultural machinery and equipment, water and irrigation management technologies, fintech, ag-tech, med-tech and education services.
- Argentina has placed investment at the centre of its economic recovery strategy. Policy settings are designed to reward bona fide investors who are willing to collaborate with the federal and provincial governments, and local companies and communities. 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 investing in Australian agribusiness and manufacturing. Australia’s extensive network of Free Trade Agreements (FTA) and links with Asian value-chains is a selling point for potential Argentine investors.

Opportunities for promoting greater economic links with Australia include:

- Engaging in agricultural, energy and mining seminars, government and university events.
- Sharing Australian experience in economic reform, cooperation in e-certification, traceability, sanitary regulation, education reform and sustainable mining.
- Strengthening engagement with all levels of government to promote mining projects and METS.

Trade Policy Focus

- Australia works closely with Argentina in the G20, and in the World Trade Organisation to promote agricultural trade reform.
- 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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Australian Government

Department of Foreign Affairs and Trade