

Why Argentina?

Summary

Population: 44.1 million

Urban population: 91.9%

Population density: 16 people per km²

Population growth rate: 1.1% change

Capital city: Buenos Aires

Official language: Spanish

Currency: Argentine Peso

Nominal GDP (Apr 2018): US \$637.7 billion

Real annual GDP growth (Apr 2018): 2.9%

GDP per capita (Apr 2018): US \$14,466.6

Unemployment rate: 8.4%

General government gross debt: 52.6% of GDP

Fiscal balance: -6.5% of GDP

Current account balance (Apr 2018): -4.8% of GDP/US \$-30.8 billion

Argentine exports of goods and services to UK (2016): £835 million

Argentine imports of goods and services from UK (2016): £615 million

[Source – mostly UK DIT/FCO Economics Unit]

Overview

Stretching 3,694 km (2,295 mi) from north to south – a distance equivalent to that between London and Baghdad – and 1,423 km (884 mi) from east to west in the southern part of the continent of South America, Argentina is the eighth largest country in the world, and the second largest in Latin America.

Argentina's western border with Chile runs along the Andes mountain range, and to the north the country is bordered by Bolivia and Paraguay, to the northeast by Brazil, and Uruguay and the South Atlantic Ocean to the east.

Aconcagua, at 6,959 m (22,831 ft) above sea level, is Argentina's highest point – and the highest in the Southern and Western hemispheres – one of many peaks over 6,000 m located in the Andes Mountains running north-south along Argentina's western border.

Argentina is rich in natural resources, and has seven diverse regions, including the Pampas – a very large and fertile alluvial plain in the centre and east of the country, and Patagonia in the south, consisting mostly of arid steppes and cold grasslands, with some forests in the Andes foothills.

Argentina has a highly-literate population of over 40 million, an export-orientated agricultural sector, and a diversified industrial base. It is highly urbanised, with 91% of the population living in urban areas (defined as those with 2,000 inhabitants or more).

Buenos Aires, the country's multicultural, financial, industrial and commercial hub and the federal capital city, is located on the Rio de la Plata on the South American continent's southeast coast. It is an "Alpha City" with a metropolitan population of around 17 million, a top tourist destination (the most-visited city in South America) and constitutes the 13th largest economy amongst the world's cities.

Argentina has the second-highest Human Development Index in Latin America with a rating of "very high" by the United Nations Development Program (UNDP), and is a founding member of the MERCOSUR trading bloc, having Brazil, Paraguay, Uruguay and Venezuela as partners. See: <http://www.mercosur.int/>.

[Source – Argentine Investment & Trade Promotion Agency (Jan 2018)]

Political situation

Argentina has a Representative, Republican and Federal form of government divided into three powers: the Executive branch, headed by the President; the Legislative branch, headed by Congress, which is divided into two chambers: the Senate and the Chamber of Deputies; and the Judicial branch.

The President is elected to serve a four-year term by direct popular vote under a two-round system. The current President is Mauricio Macri, who was elected in November 2015 with 51.4% of the vote for a four-year term in office. The Argentine constitution allows two consecutive presidential terms, so President Macri could run for re-election in 2019.

Economic overview

Argentina is the third largest economy in Latin America in terms of Purchasing Power Parity (PPP) GDP. By 2018 its nominal GDP in Dollars had reached 637.7 billion (920.2 billion PPP) and nominal GDP per capita was close to US \$14,466 (US \$20,875.8 per capita in PPP terms), with real annual GDP growth at 2.9%.

Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and use of advanced technologies. The country's well-developed industrial base includes key sectors such as agribusiness, automotive, pharmaceuticals, chemicals and petrochemicals, biotechnology and design manufacturing. The service sector is the largest contributor to total GDP, accounting for over 50%.

The country is a leading food producer. Argentina is the world's third largest producer of soybean, soy meal, soybean oil and corn; the fourth largest producer of sunflower (seed, meal and oil) and sorghum; the seventh producer of barley and the twelfth producer of wheat.

Argentina holds the fourth largest shale oil and second largest shale gas reserves in the world. Other valuable resources include gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

The leading industrial sectors by gross value of production are food processing, beverages, chemicals and pharmaceuticals; motor vehicles and auto parts and coke fuel, oil refining and nuclear fuel production.

With respect to services, sectors with the largest share in gross value added include wholesale, retail, and repairs; followed by transport and communications. The service sector leads the labour market as the biggest job creator.

The World Bank ranks Argentina 117th out of 190 countries for ease of doing business in 2018. See: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>. It is anticipated that Argentina's position will improve as reforms introduced by the Macri Administration deliver improvements to the business environment.

You can read the World Bank's more in-depth publication and guidance for business, 'Economy Profile 2017 – Argentina' at: <https://openknowledge.worldbank.org/handle/10986/25419?show=full>.

See also the Argentine Investment & Trade Promotion Agency's "Doing Business In Argentina – An Investor's Guide" (Jan 2018) at: http://www.inversionycomercio.org.ar/docs/pdf/Doing_Business_in_Argentina-2017.pdf.

[Source – Argentine Investment & Trade Promotion Agency (Jan 2018)]

Foreign debt

After more than 14 years, in April 2016 Argentina exited from its debt default. This has allowed the country to reduce country risk and regain access to the international capital markets. In June 2018 the International Monetary Fund (IMF) agreed to lend Argentina up to US \$50 billion (£37.2 billion) as the country seeks to bolster its economy.

Foreign trade

In 2016, Argentina swung back to trade surplus after the deficit reported in 2015, which was an exception since 2002. In the last 15 years, exports have shown a 125% increase in nominal Dollar terms at an annual average rate of 6%, while imports increased by 519% at an annual average rate of 14%.

Argentina's main trade partners are Brazil, China and the United States, both for exports and imports of goods. Of the products sent to Brazil, 63% are industrial manufacturing products, 59% of which are vehicles. The main products exported to China are soybean-related products (over 63%), while the main items sent to the United States are biodiesel (26%) and wine (6%).

On the import side, Argentina buys mainly vehicles from Brazil (46% of its total imports), electrical and electronic equipment from China (33%), and mineral fuels, mineral oils and mineral waxes (17%) from the United States.

Historically, Argentina has had a negative trade balance of services. However, two items have been showing positive balances (i.e. exports higher than imports): business, professional, and technical services, and computer and information services. Recent years have seen a consolidation of export-orientated services companies mainly due to the human talent available in the country.

[Source – Argentine Investment & Trade Promotion Agency (Jan 2018)]

UK and Argentina

Overview

Since 2016 there has been a marked improvement in bilateral relations, including the release of a landmark Joint Communiqué in September 2016 that includes a framework for enhanced bilateral trade and investment. See: <https://www.gov.uk/government/publications/communique-between-argentina-and-the-united-kingdom/uk-and-argentina-joint-communique> for the full original Communiqué text. The statement covers enhanced co-operation across the full range of the UK-Argentine bilateral relationship – political, economic, science, trade and the arts.

UK and Argentina joint communiqué: 13th September 2016

1. High-level political consultations

It was agreed to work together to identify new areas of collaboration and, in that context, to reactivate high-level bilateral consultations initiated in 2002 based on comprehensive themes and held annually.

These consultations will seek to deepen the bilateral relationship around a positive agenda that addresses global challenges in the medium and long term, in areas such as:

- democracy
- human rights
- co-operation in international peace and security
- non-proliferation
- environment
- climate change
- clean/green energy
- trade and investment
- science, technology and innovation
- tourism
- sport

Deputy Foreign Minister Foradori, and Minister Duncan, agreed to set up and institutionalise a mechanism for dialogue and strategic reflection so as to approach a future bilateral relationship on the basis of strengthening the values, interests and common principles whose work will be taken forward by the respective teams in formal annual meetings.

Highlighted areas were:

- joint work in terms of the non-proliferation of weapons of mass destruction (WMD)
- the possibilities of working at a multilateral level in the fight against organised crime

- drug trafficking and terrorism
- the possibilities of co-operation to comply with contributions of the Treaty of Paris within the framework of the UN Convention on Climate Change
- parliamentary bilateral work through 'friendship groups' established by both countries, and multilateral work within the framework of the International Parliamentary Union
- collaboration between regional governments, provinces and cities, in addition to cultural and educational exchanges

2. Fight against corruption and organised crime

The Argentine and the UK's commitment in the area of global anti-corruption was reaffirmed. The UK thanked Argentina for its constant support against organised crime particularly in the area of narco-trafficking, human trafficking and money laundering. The UK praised the efforts of Argentina to confront corruption and build confidence in the regulatory system pointing to its economic reform programme. The UK offered assistance to tackle corruption, to promote transparency and help open government practices.

3. Science and technology, human rights and gender issues

Opportunities were analysed for co-operation in terms of science and technology, innovation, human resources development and training in manufacturing sectors, human rights and the question of gender issues. On the subject of science and technology it was agreed that Argentina and the UK have strong, historic ties. Both parties welcomed the increase in bilateral links including the creation of potential areas for scientific exchange such as agri-technology, advanced materials and nanotechnology, ICT, life sciences and the development of opportunities for students via the Bec.ar scholarship programme in collaboration with British universities and CONICET (the Argentine National Scientific and Technical Research Council), collaborating with the Royal Society. Both parties reaffirmed the agreement of a bilateral scientific dialogue at ministerial level.

Additionally, areas of possible co-operation were evaluated in the matter of Antarctica including exchanges, joint work and agreements between scientific programmes of the Argentine Antarctic Institute (IAA) and the British Antarctic Survey. Also evaluated was the development of joint scientific activities in the area of the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR).

4. Arts, culture, education and sport

It was recognised that Argentina and the UK share strong and lasting cultural links. In this spirit of co-operation and friendship both countries have agreed to strengthen

these links and to continue to identify new areas of collaboration. An increase in student exchanges was welcomed including the recent increase in Chevening scholarships and the British Council's offer to Argentina to promote teaching programmes in English and Welsh. The UK highlights Argentina's organisation of the 3rd World Youth Olympics in Buenos Aires in October 2018 and offers to share British knowledge and expertise obtained during the organisation of large-scale events.

5. Trade and investment

It was highlighted that Argentina and the UK had agreed to work to significantly increase bilateral trade, as demonstrated by the recent visits focused on trade and assistance to companies and investments in order to capitalise on commercial and investment opportunities, which includes sharing advice and experience in Public-Private Partnerships (PPP).

Both countries committed to work jointly to strengthen co-operation between governments and the private sector in the area of investments, promoting Foreign Direct Investment in both directions and developing commercial links. Additionally they resolved to identify investment opportunities in each country with a particular focus on areas such as infrastructure, energy and mining. The UK welcomed the initiative of President Macri for organising the Business and Investment Forum attended by more than a thousand representatives of local and foreign companies, including amongst others, the British companies BP, BT, HSBC and GSK.

6. G20

The wish was expressed to continue to collaborate actively with the efforts shown at the G20 welcoming the election of Argentina to chair the group in 2018. Both countries have agreed that they will work together – including wider co-operation in international fora such as the G20 – to promote economic dialogue, increase trade, investment and innovation between the two nations.

7. OECD

The UK supports the Argentine aspiration for a closer relationship with the Organisation for Economic Co-operation and Development (OECD) and offers its advice and experience to help implement the reforms needed to meet membership requirements.

8. International security and defence

Argentina and the UK agree that to confront the threats to international peace and security, closer international co-operation and co-ordination is required. Both countries are exploring opportunities to widen their fields of co-operation. The visit to the UK by the ARA Libertad training ship was welcomed. Both agreed to strengthen relations between the two armed forces. The UK welcomes the commitment of Argentina to the

maintenance of international peace and security via its support to United Nations peacekeeping operations. In this respect, mention was made to the significant co-operation achieved by the Argentine and British contingents in the UN Peacekeeping Mission in Cyprus (UNFICYP) and the results of the UN Peacekeeping Defence Ministerial meeting that took place in London on 7th to 8th September.

9. Refugee crisis

The UK praised the Argentine Government's decision to establish a programme to take in 3,000 Syrian refugees, stressing the shared, global responsibility to co-operate in the resolution of the problem including financial assistance from the international community.

10. South Atlantic

In a positive spirit, both sides agreed to set up a dialogue to improve co-operation on South Atlantic issues of mutual interest. Both governments agreed that the formula on sovereignty in paragraph 2 of the Joint Statement of 19th October 1989 applies to this Joint Communique and to its consequences. In this context it was agreed to take the appropriate measures to remove all obstacles limiting the economic growth and sustainable development of the Falkland Islands, including in trade, fishing, shipping and hydrocarbons. Both parties emphasised the benefits of co-operation and positive engagement for all concerned.

In accordance with the principles set out in the 14th July 1999 Joint Statement and Exchange of Letters, both sides agreed that further air links between the Falkland Islands/Islas Malvinas and third countries would be established. In this context they agreed the establishment of 2 additional stops per month in mainland Argentina, one in each direction. The specific details will be defined.

Both delegations expressed their full support for a DNA identification process in respect of unknown Argentine soldiers buried in the Darwin Cemetery. Discussions on this sensitive humanitarian issue will be taken forward in Geneva on the basis of an International Committee of the Red Cross (ICRC) assessment supplemented by bilateral discussions as required. Both sides agreed that the wishes of the families concerned were paramount.

Both sides agreed to establish a date for a fuller meeting as soon as possible.

[Source – gov.uk]

Progress in the UK-Argentina bilateral relationship since 2016

Since 2016 there has been substantial progress in a number of areas covered by the Joint Communiqué, including:

- frequent high-level exchanges, including visits in 2018 by former UK Foreign Secretary Boris Johnson to Argentina in May and Argentine Cabinet Chief Marcos Pena to the UK in June
- the establishment of a UK-Argentina Commercial Dialogue, which met most recently at Ministerial level in London in May 2018
- frequent two-way trade missions, including a 90-strong Argentina Trade Delegation to the UK in May 2018
- the announcement of a UK Export Finance (UKEF) £1 billion export credit facility to support UK trade with Argentina
- a Memorandum of Understanding (MOU) on joint scientific research in the Antarctic, signed in May 2018
- an MOU on work against anti-microbial resistance (AMR) in the environment, signed in May 2018
- an MOU on co-operation on international security, signed in May 2018
- increased collaboration in anti-corruption programmes
- the award of Chevening scholarships to 35 Argentine students to the UK in 2017-18
- high profile ships visits by ARA Libertad to UK in 2017, and by HMS Protector to Argentina in 2018
- sporting exchanges, including the Welsh and Scottish rugby teams tours of Argentina in June 2018, and by the England rugby team in 2017
- changes to the UK arms export policy to Argentina (June 2018), now enabling UK sales to Argentine military end-users in accordance with export licence criteria

Benefits of the Argentine market

Argentina has signed almost sixty bilateral investment treaties and created an entire law (Foreign Investment Law No. 21,382) to regulate and protect foreign investment. Argentina became an ICSID member in 1994 and has been an Observer of the Investment Committee of the OECD since 1996. Furthermore, the country is a member of the Multilateral Investment Guarantee Agency (MIGA) and a member of the World Bank Group, which provides insurance coverage for foreign investments made by individuals or legal entities established in member countries.

Strengths of the Argentine market include:

- 3rd largest economy and 3rd largest manufacturing base in Latin America
- member of the MERCOSUR trading bloc (population 290 million)
- major world producer of agricultural commodities (e.g. soya and maize)
- unexploited shale oil and gas reserves
- large reserves of minerals and precious metals (e.g. lithium, copper, silver and gold)
- regional leader in IT services and creative industries
- renewed access to the international finance markets for raising investment capital
- major capital investment plans in infrastructure and utilities
- economic reform programme improving the business environment for overseas trade and investment
- second-highest Human Development Index in Latin America (UNDP)

Benefits for UK businesses exporting to or investing in Argentina include:

- high level of professional skills, including highest English Proficiency Index in the region
- sophisticated market with European tastes and business culture
- UKEF export credit facility of £1 billion
- direct daily flights with the UK, operated by British Airways and Norwegian Air UK
- Double Taxation Agreement with the UK (one of only 18 that Argentina has in operation)
- good government-to-government business relations under the UK-Argentina Commercial Dialogue
- strong existing business representation: over 100 UK companies present in Argentina; two bilateral Chambers of Commerce

UK and Argentina trade

Argentina is the UK's third largest export market in South America, with exports of goods and services worth £615 million in 2016 (goods £321 million; services £294 million).

million), and goods exports increasing by 44% year-on-year over the 12 month period to April 2018.

Total Argentine exports of goods and services to the UK were worth £835 million in 2016. The total UK-Argentina bilateral trade was worth £1,450 billion in 2016.

[Source – ONS Pink Book 2017]

The UK's main exports to Argentina are:

- medical equipment and pharmaceuticals
- boilers, machinery and mechanical appliances
- non-ferrous metals
- professional and scientific instruments
- plastics and plastic products
- beverages
- electrical machinery and equipment
- chemical materials and products
- vehicles
- organic chemicals

Now over 100 UK companies operate in Argentina. This includes over 20 FTSE 100 companies such as BT, GSK, HSBC and Unilever, as well as a range of small and medium-sized UK companies.

[Source – DIT/gov.uk]

In addition:

- Argentina was ranked 85th out of 180 countries in Transparency International's latest Corruption Perceptions Index, showing an improvement on its position in comparison with the previous two years (the UK ranked 8th): https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table
- Argentina is ranked 117th out of 190 countries in the World Bank's 2018 Ease of Doing Business index (the UK ranks

7th): <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>

- The World Economic Forum's Global Competitiveness report 2017-18 ranks Argentina 92nd out of 137, up ten places since 2016-17 (the UK is ranked 8th, down one place): <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=ARG>

Contact a DIT export adviser at: <https://www.contactus.trade.gov.uk/enquiry/topic> for a free consultation if you are interested in exporting to Argentina.

In March 2017 the UK Government announced a £1 billion export finance facility for UK trade with Argentina. Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies, see: <https://www.gov.uk/government/organisations/uk-export-finance>. You can also check the current UKEF cover position for Argentina at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#argentina>.

[Source – DIT/ UKEF/gov.uk]

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