



KCCI - Country Wrap: ARGENTINA (JUNE.'17)



Argentina – a brief overview

Argentina benefits from rich natural resources, a highly literate population, an export-oriented agricultural sector, and a diversified industrial base. The economy of Argentina is a high-income economy, Latin America's third largest, and the second largest in South America behind Brazil. Although one of the world's wealthiest countries 100 years ago, Argentina suffered during most of the 20th century from recurring economic crises, persistent fiscal and current account deficits, high inflation, mounting external debt, and capital flight.

Economy of Argentina

Argentinian economy rebounded strongly in 2010 from the recession, but has slowed since late 2011 even as the government continued to rely on expansionary fiscal and monetary policies, which have kept inflation in the double digits. The government expanded state intervention in the economy throughout 2012. The authorities also took formal and informal measures to restrict imports during the year, including a requirement for pre-registration and pre-approval of all the import items. In July'12, the government also tightened currency controls in an effort to bolster foreign reserves and stem capital flight. Argentina devalued the peso the most in 12 years after the central bank scaled back its intervention in a bid to preserve international reserves that have fallen to a seven-year low. Since end 2015, the govt. has taken a no. of steps to liberalize the economy, which include lifting capital controls, floated the peso and removing export controls on some commodities.

Key Industries of Argentina

Key industries of Argentina include food processing, motor vehicles, consumer durables, textiles, chemicals and petrochemicals, printing, metallurgy and steel. Major agricultural products include sunflower seeds, lemons, soybeans, grapes, corn, tobacco, peanuts, tea, wheat and livestock.

Argentina's major trading commodities and partners

The main export partners of Argentina are Brazil, China, Chile and US. It imports commodities from Brazil, US, China and Germany.

Economic Relations between Pakistan and Argentina

Pakistan and Argentina established diplomatic relations in 1951. Ever since, the two countries have had friendly and cordial relationship and understanding on all the major global and regional issues. The two countries have well established trade links, they maintain a "Joint Economic Committee" and the Pak-Argentina Business Council, in order to expedite further growth in their relationship. The two countries are currently most concerned with agricultural development schemes, particularly in the areas of livestock disease control, as well as political and diplomatic issues of mutual interest. Argentine companies have also expressed their interest in the exploration and development of gas fields in the Pakistani provinces of Balochistan and Sindh. Pakistan and Mercosur (comprising Argentina, Brazil, Paraguay and Uruguay) signed a Framework Agreement on Trade in Jul'06, with intentions to progressively convert it into a Preferential Trade Agreement. The Plaza de Pakistan is a landmark in Buenos Aires commemorating Argentine-Pakistan friendship.

Bilateral Trade Relations between Pakistan and Argentina

A formal agreement on bilateral trade and cooperation was signed between Argentina and Pakistan on Jul. 19, 2002 giving their relationship "most favorable nation" status, in accordance with the World Trade Organization regulations. Both the countries have considerable trade volume where during FY15-16, Pakistan's exports to Argentina were recorded at \$ 51.59Mn as against exports of \$ 44.06Mn in the previous year, showing 17% increase. Pakistan's imports from Argentina stood at \$ 193.79Mn during FY16 as against imports of \$ 141.31Mn in the same period last year reflecting increase of 37%. The trade surplus stood at its highest to \$ 142.2Mn which is in the favor of Argentina.

Potential for enhancing bilateral trade relations between Argentina and Pakistan

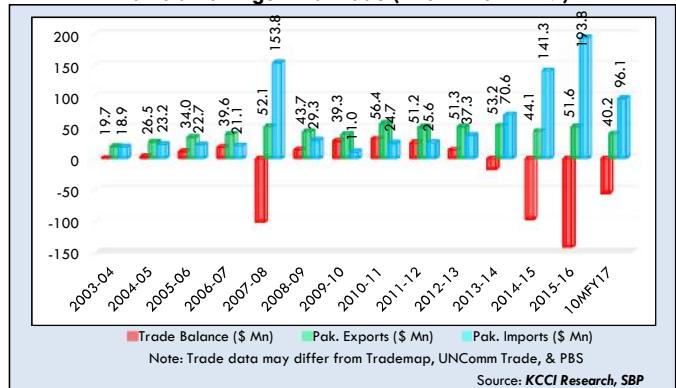
- Agriculture, alternative energy, halal food, pharmaceuticals and CNG buses for passengers could serve as key sectors for starting joint ventures between the two nations.
- Technology being used in the Argentinian agriculture and livestock sectors can also be transferred to Pakistan.
- Pakistan also has great potential for the exports of fruits and vegetables to Argentina; therefore fruit processing plants can be developed on modern lines to meet the demand.
- Pakistan also has huge growth potential in the traditional exports to Argentina like rice, sports goods, surgical instruments, leather and textile products.

Economic Indicators

Indicators	Unit	2015	2016	Change
GDP (PPP)	\$ Bn	895.20	879.40	-1.76%
GDP per Capita	\$	20,800	20,200	-2.88%
GDP growth	%	2.5	-1.8	-4.30%
Forex Reserves	\$ Bn	25.52	32.11	25.82%
External Debt	\$ Bn	136.10	155.10	13.96%
Exports of Goods	\$ Bn	56.76	58.40	2.89%
Imports of Goods	\$ Bn	57.18	57.23	0.09%
Trade Balance	\$ Bn	-0.42	1.17	378.57%
Current Account	\$ Bn	-15.94	-12.72	20.20%
FDI - at Home	\$ Bn	94.19	103.70	10.10%
FDI - at Abroad	\$ Bn	37.03	37.97	2.54%
CPI	%	26.5	42.8	16.30%
Prime Lending Rate	%	24.92	32.30	7.38%
Population	Mn	N/A	43.89	N/A
Unemployment	%	7.60	8.00	0.40%
Literacy Rate	%	N/A	98.1	N/A

Sources: KCCI Research, CIA Factbook

Pakistan & Argentina Trade (FY04 - 10MFY17)



Source: KCCI Research, SBP

Argentina's Top 10 Trade Items (2016)

Imports Item	(\$ Mn)	Exports Item	(\$ Mn)
Vehicles other than railway	9,638	Food Industry Residues	10,785
Machinery, Mech. Appliance	8,335	Cereals	6,975
Electrical mach, equip.,parts	7,077	Vehicles other than railway	5,006
Mineral fuels, oils, products	4,536	Animal/veg. fats, oils	4,968
Organic chemicals	2,264	Oil seeds, oleaginous fruits;	3,836
Plastics, articles thereof	2,219	Pearls, stones, metals	2,244
Pharmaceutical products	2,157	Misc. chemicals	1,894
Optical, measuring	1,586	Fish, crustaceans, molluscs	1,673
Misc. chemicals	1,259	Meat, edible meat offal	1,461
Aircraft, parts thereof	1,186	Mineral fuels, oils	1,420

Sources: KCCI Research, Trademap

Pak - Argentina Top 10 Trade Items (2016)

Pakistan Export Items	(\$ Mn)	Pakistan Import Items	(\$ Mn)
Man-made staple fibres	24.32	Food Industry Residues	137.15
Toys, games	10.68	Animal/veg. fats, oils	53.26
Cotton	7.97	Edible veg., roots, tubers	36.57
Knit Apparel, clothing	1.83	Iron/Steel Articles	6.50
Made-up textile articles	1.53	Cereals	3.58
Optical, measuring	1.44	Pharmaceuticals	2.61
Leather articles	1.36	Iron & steel	1.84
Unknit Apparel, clothing	1.14	Oil seeds, oleaginous fruits	1.47
Plastics and articles thereof	1.07	Machinery, Mech. Appliance	0.65
Tools, implements, cutlery	0.91	Tanning or dyeing extracts	0.50

Sources: KCCI Research, Trademap