



INTERNATIONAL TRADE

By **Thomas Manning**



Argentina's macroeconomic reforms are generating lucrative opportunities for New Zealand exporters and investors.

Argentina's bright prospects

While business media coverage of Latin America continues to be dominated by bad news, there is definitely another side to the story.

We often hear about the vagaries of the economies of Brazil, Ecuador and Venezuela, but less frequently are the economic reforms of Argentina, the success of Chile's GDP growth or the modest growth of most economies of this region in the media spotlight.

Brazilian President Dilma Rousseff has been suspended by Congress for alleged financial mismanagement and will face an impeachment trial in the Senate, while an interim government led by former Vice President Michel Temer has been installed until Rousseff's fate is decided.

While Brazilian politicians have been fighting amongst themselves, the economy has spiralled deeper into recession for a fifth straight quarter with unemployment rising to 11.2 per cent, inflation to 10 per cent and the OECD says GDP will contract 4.3 per cent in 2016.

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Interim President Temer says he will sell state assets, lift restrictions on exploiting Amazon Basin resources and cut social welfare to reduce the 2016 fiscal deficit he has estimated at US\$47 billion, as well as implement business-friendly policies to reverse Brazil's longest recession since the 1930s.

FocusEconomics are picking Ecuador's GDP

will contract 2.8 per cent in 2016 due to a series of devastating earthquakes, which has compounded the government's fiscal problems in its oil-dependent, dollarized economy, with a tepid 0.2 per cent recovery picked for 2017.

The travails of oil-dependent Venezuela grow worse by the day. Here, the world's highest inflation, severe shortages of energy and food and a rising incidence of rioting and lynching are fuelling expectations President Nicholas Maduro and his socialist economic policies will not last much longer, providing hope a new regime can reverse Venezuela's precipitous decline.

Multiple sector opportunities

Argentina's Mauricio Macri government is continuing to implement economic reforms, which are expected to attract substantial foreign investment and grow GDP strongly in 2017 compared to 2016 when inflation will hit 40 per cent and GDP will contract 1 per cent.

Of all the Latin American economies, Argentina has the best short-term prospects, as it is not oil-dependent and because of the significant macroeconomic reforms afoot, which are incidentally generating lucrative opportunities for New Zealand exporters and investors and are worthy of consideration.

Argentina is Latin America's third largest economy (its 2015 GDP reaching US\$537 bn according to the World Bank) Income distribution is more equal than in most Latin American countries, and it has a broad and deep middle class with strong consumer buying power, as well as an extremely wealthy upper class cohort of around four million, which offers opportunities for niche goods and services.

Mauricio Macri,
Business-friendly
President of Argentina



New Zealanders are well thought-of and trusted in Argentine business circles. In the wider community we are known for the icons that typify our antipodean isles: dairy, lamb, rugby and tourism. Our exporters can build on that knowledge and awareness base.

There is a growing interest in New Zealand about Argentina and vice versa, occasioned by comprehensive media coverage (both news and advertising) around the Argentine Jaguars rugby team joining the SANZAR Super Rugby Competition, and the new Air New Zealand service to Buenos Aires, which provides the quickest gateway to Asia from Argentina. This air route is fostering a growing interest in collaboration to service third-party markets in Asia, especially in agritech, dairy and viticulture.

This article draws in part on the downloadable Manning Group's Report "Business and Investment Opportunities for New Zealand in Argentina 2016", which identifies opportunities in 18 sectors, namely: Agritech, Clean Energy, Consulting, Dairy, Education, Equine/Bloodstock, Experience, Film, G2G, Healthcare, ICT, Infrastructure, Legal Security, Marine, Mining, Oil & Gas, Tourism (including rugby) and Urban Security.

• Thomas Manning is a NZ business consultant based in Buenos Aires, Argentina; former Vice President of the Latin America New Zealand Business Council and publisher of Transpacific Business Digest. Visit www.manninggrouplimited.com