



## **Argentina: Open for Business Again**

Key facts about Argentina:

- Has the third largest GDP (US\$538 billion) in Latin America following Brazil and Mexico,
- With 43 million inhabitants it ranks fourth population-wise following Brazil, Mexico and Colombia
- But has the highest GDP per capita of these four (i.e. the big countries, at \$13,500)
- It is one of the ten largest agricultural producers in the world (oil seeds, cereals, beef, wine)
- It is a G-20 member country

Unlike most of its neighbors, Argentina's GDP did not grow at all from 2011 to 2014. Stagnation and high inflation were the result of the corruption-riddled, populist administration of Christina Kirchner that ran the country for the last eight years. The good news is that Argentinians voted it out in November 2015.

Argentina's new President, Mauricio Macri, is the son of a prominent businessman, and an entrepreneur himself, who was also the Major of the City of Buenos Aires for eight years. During his two consecutive terms he introduced significant reforms and improvements which won him widespread approval. Improbably, the coalition led by his young party, the PRO, not only won the presidential election but also the governorship of the largest state (Buenos Aires) and kept the City of Buenos Aires (all together accounting for almost 30% of GDP and 43% of the population). The real relevance of this result however is that for the first time in many decades, Argentinians voted for a party which explicitly wants to put an end to populism, corruption, organized crime and foster free markets and strong republican institutions.

In little more than a month in office, Macri has:

- Appointed a prestigious and experienced cabinet
- Re-aligned Argentina foreign policy with the US, Europe and developed countries condemning the activities of nations like Iran and Venezuela.
- Eliminated all foreign trade and exchange controls, devalued the peso almost 40% and let the currency float around \$14 per US\$ dollar
- Eliminated export taxes which severely hindered farming, mining and industrial exports
- Presented a sound economic, monetary and financial program to reduce, over the next four years, inflation from 30% to 5% and Fiscal Deficit from 8% to 0% of GDP
- Initiated conversations with foreign creditors that did not accepted the debt consolidations made by Argentina in 2005 (i.e. the holdouts) to establish a payment schedule and resume a normal relationship with international capital markets
- Vowed to combat corruption, crime, poverty, to uphold an independent judiciary and to rebuild the country's institutions

As a result of these changes, Argentina has returned to the limelight in the international business community who is once again scouting for growth opportunities in a country that has made little or no investments at all in roads, ports, telecoms, power plants, let alone in its industrial sector hindered by all sorts of red tape and financial capital controls.

The world is an uglier place in 2016 than it was four years ago, especially for commodities-driven emerging economies, but Argentina just has so much catching up to do in almost every area that opportunities will abound if you know how to spot them and capitalize on them.

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