

# Argentina: A Strategic Investment Destination to Meet the Demand of Global Markets

Argentine Embassy  
Undersecretariat of Investment Development  
Ministry of Foreign Affairs  
October 2010

# The opportunity

Global trends are well aligned with Argentina's comparative and competitive advantages, making the country a strategic investment location in the new global scenario

---

## Global trends

- Population growth
- Food & energy demand expansion
- Climate change
- Manufacturing and services outsourcing
- R&D in emerging markets



**Argentina's  
comparative &  
competitive  
advantages**

# Global Trend: Food & Beverages

Emerging economies are leading economic recovery worldwide. A growing world economy requires more and better food supply.

## Global facts

- World population growth
- Great dynamism in developing economies (especially Asia & Middle East)
- Growing demand for gourmet, ecological and organic food in developed economies

## Argentina's edge

- Extraordinary natural resources
- High skilled and specialized human resources
- Leading food and commodity producer and exporter
- Exceptional crop yields
- Diversified production pattern
- Value added gourmet products, premium wines
- Biotechnology applications in food production
- High quality standards and product and process innovation

# Global Trend: Renewable Energies

A world striving for sustainable development demands increasing sources of renewable and clean energies

## Global facts

- Growing demand for energy
- Climate change and environmental sustainability challenge
- Mandatory biofuel blends across the world that guarantee growing demand

## Argentina's edge

- Abundant and high quality natural resources for renewable energy production
- Highly qualified human resources & technological capabilities in energy sector
- Key producer and leading global exporter of biodiesel
- High potential for development of second generation biofuels, eolic and solar energy
- Strong public support through mandatory biofuel blends and goals for renewable energy sources in electricity generation among others.

# Global Trend: Manufacturing and services outsourcing

Fragmentation of global value chains provide an opportunity for integration in segments of higher added value

## Global facts

- Progressive fragmentation and global re-localization of industrial production
- Search for efficiency gains to remain competitive
- Growing outsourcing of services, including professional and high value added services

## Argentina's edge

- Highly qualified, flexible and creative human resources with industrial know-how
- Long industrial tradition and diversified industrial structure
- Modern and competitive communications network
- Convenient time zone for shared services (GMT-03:00)
- Excellent language skills
- Cultural similarities with European markets
- Native Spanish speakers reaching out to a population of 500 million people that speak the language worldwide

# Global Trend: New technologies and R&D

Developing countries emerge as the next hot location for R&D, creating and developing new technologies and solutions to face upcoming global challenges

## Global facts

- Upcoming global challenges require innovative and cost-efficient solutions (global warming, environmental sustainability, health issues)
- Increasing localization of R&D activities in emerging markets:
  - Attractive quality-value ratio
  - Innovative solutions to local/regional demands
- Move towards knowledge, technology & efficiency-driven economies

## Argentina's edge

- Outstanding quality of scientists and professionals
- Long tradition of excellence in science & technology
- Competitive costs
- Prestigious & innovative institutions
- Well developed national and international scientific networks
- Public-private partnerships
- Top public policy priority

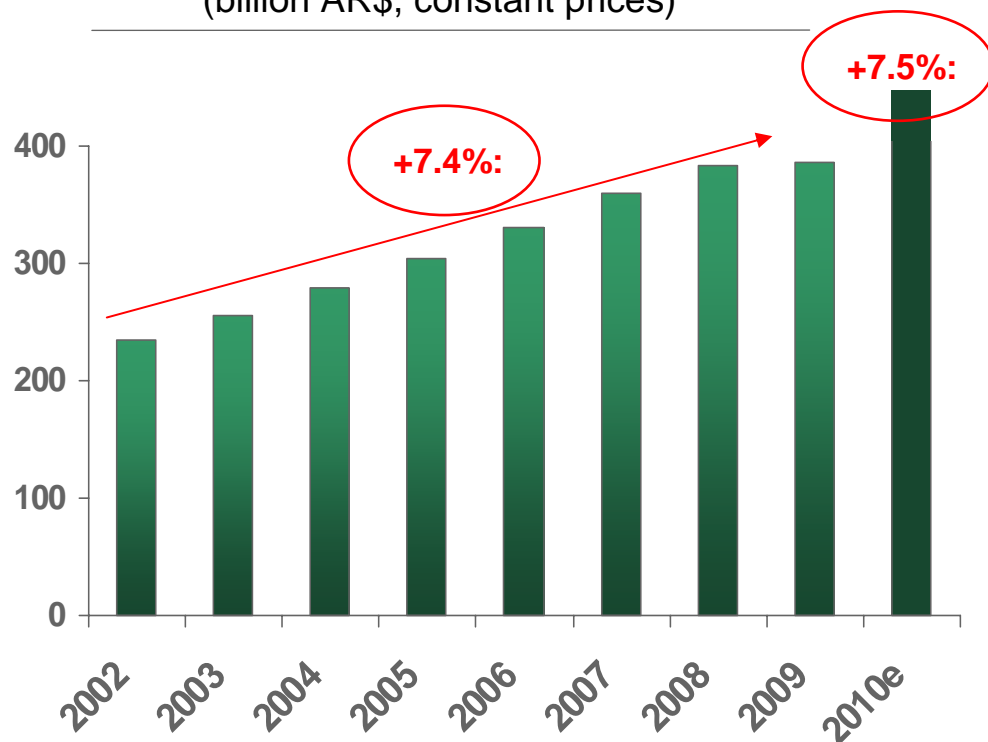
# Sound fundamentals for sustainable growth



The Argentine economy has grown steadily since 2003. While growth slowed down in 2009 due to the global crisis, Argentina is among the fastest growing economies in the region in 2010

- ✓ Annual GDP growth of 7.4% over the seven year period of 2003-2009
- ✓ 2010 GDP growth estimates: 7.5% (IMF, October 2010)
- ✓ Seven consecutive years of twin primary fiscal and current account surpluses
- ✓ Unprecedented accumulation of international reserves (US\$ 51 billion in September 2010)
- ✓ Significant public debt reductions
- ✓ 2010 debt swap, bringing the total restructured debt since the 2001 default to around 93%.

GDP 2003-2010  
(billion AR\$, constant prices)



Source: ProsperAr based on IMF, BCRA and INDEC

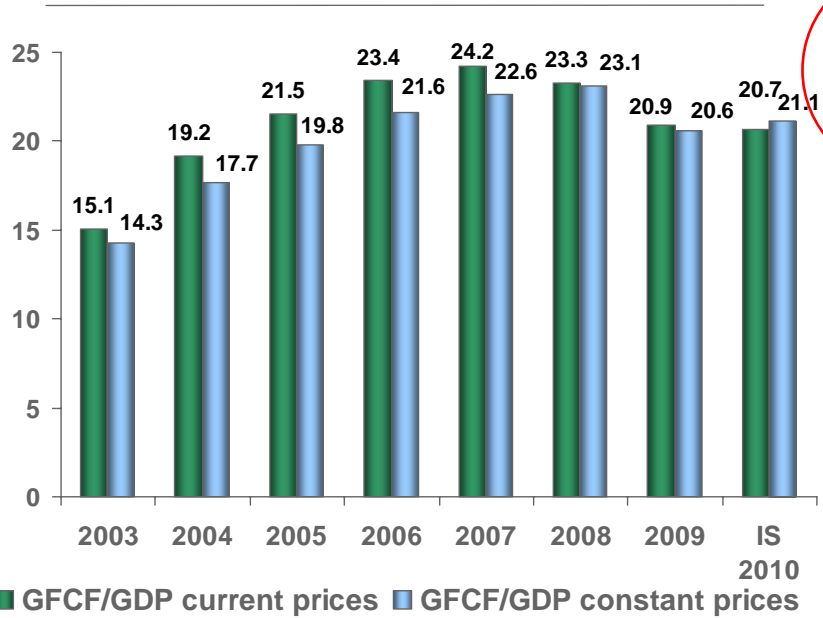


# Growth fueled by investment growth

Investment grew steadily since 2003 and reached record-high levels in 2008 . A significant recovery is underway as reflected by data for the first semester of 2010.

### Gross Fixed Capital Formation (GFCF) as % of GDP

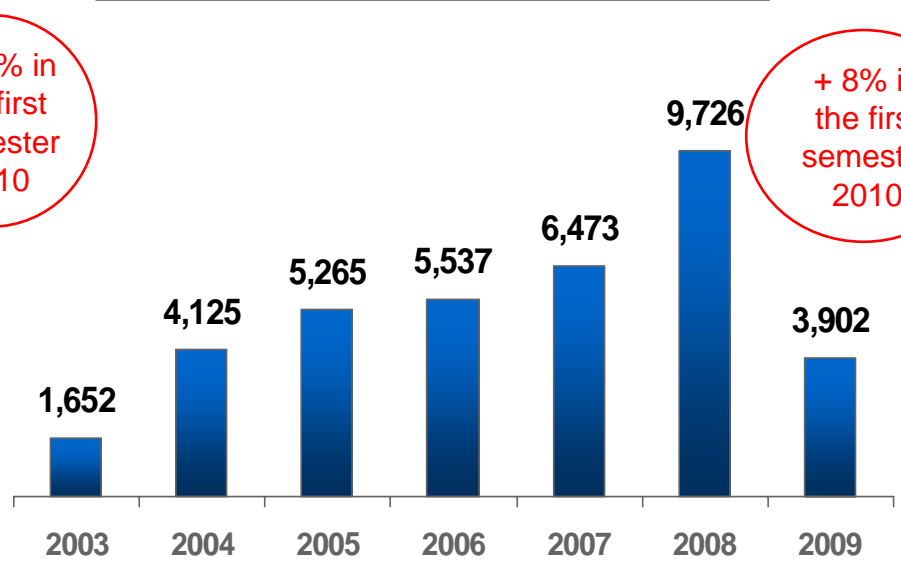
(in current and constant prices)



+ 16% in the first semester 2010

### Foreign Direct Investment (FDI)

(million of US\$)



+ 8% in the first semester 2010

✓ High-saving, high-investment model, with a positive saving-investment gap

✓ FDI grew at an annual average rate of 43% between 2003-2008. In 2009 FDI contracted in line with FDI flows to the region and the rest of the world as a consequence of the global crisis. FDI began to recover in 2010.

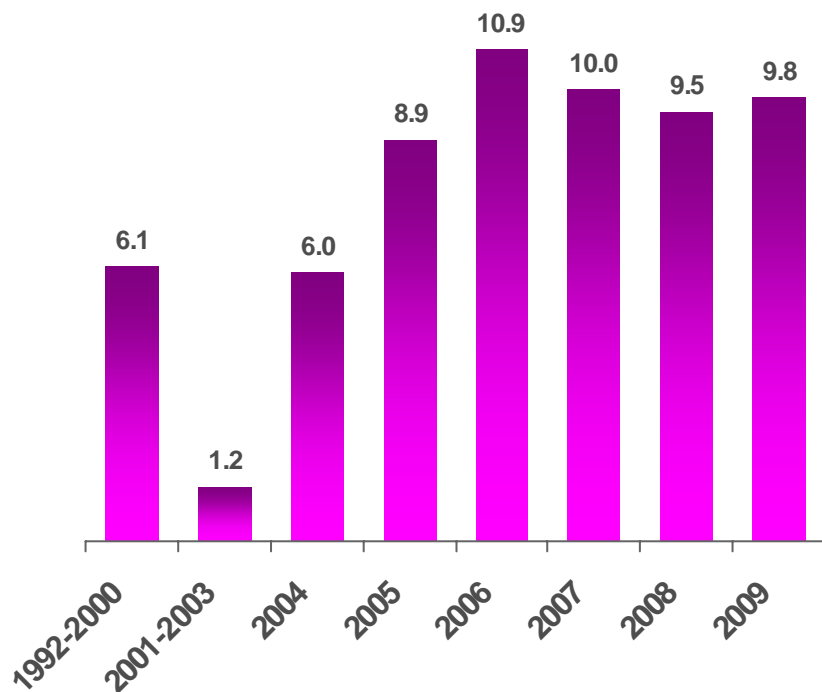
Source: ProsperAr en based on INDEC



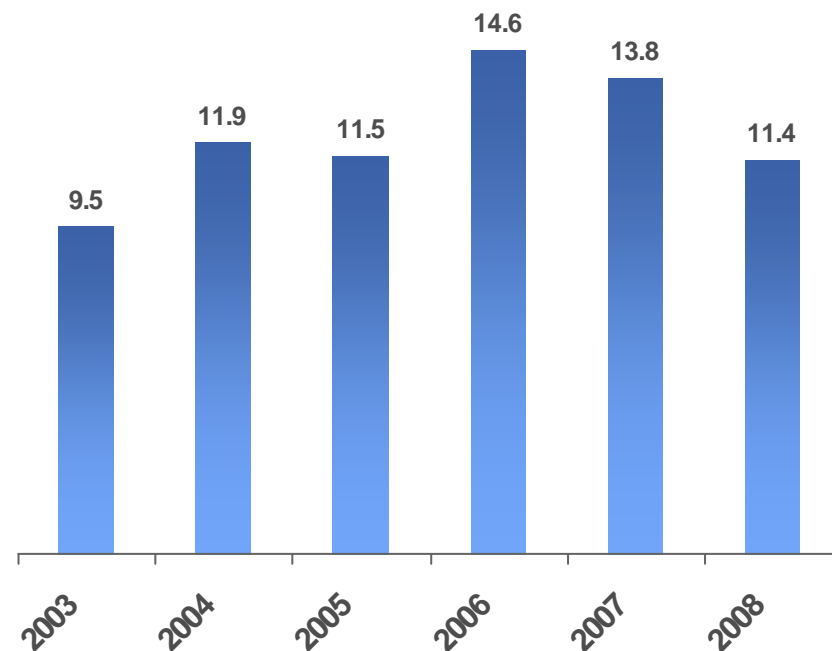
# Attractive business profitability

Firms reached high levels of profitability in historic terms during the 2004-2008 period

FDI return on assets  
(profits as a % of FDI Stock)



Net margin of the top 500 companies in Argentina  
(as a % of sales)



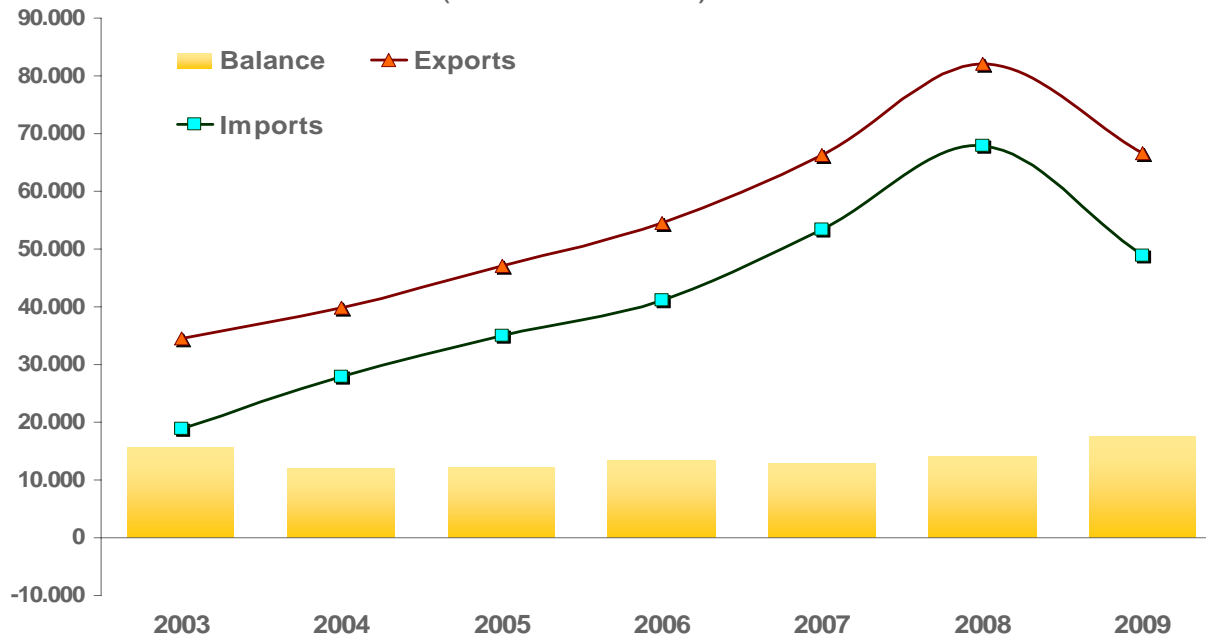
Source: ProsperAr based on Balance of Payments data and Survey of Big Companies INDEC

# Globally and regionally integrated economy



Trade and investment flows link Argentina to the global and regional economy Trade grew rapidly since 2002. In spite of the global crisis, Argentina showed record trade balances in 2009.

## Trade in goods and services (million of US\$)



- Exports grew 140% and imports grew 260% between 2003 and 2008.

- In 2009, as a result of the global crisis, trade slowed down in line with the rest of the world.

- Record trade balance in 2009

- In the first half of 2010 Argentine exports grew 17%, and imports 36%. Trade balance was almost US\$ 8 billion.

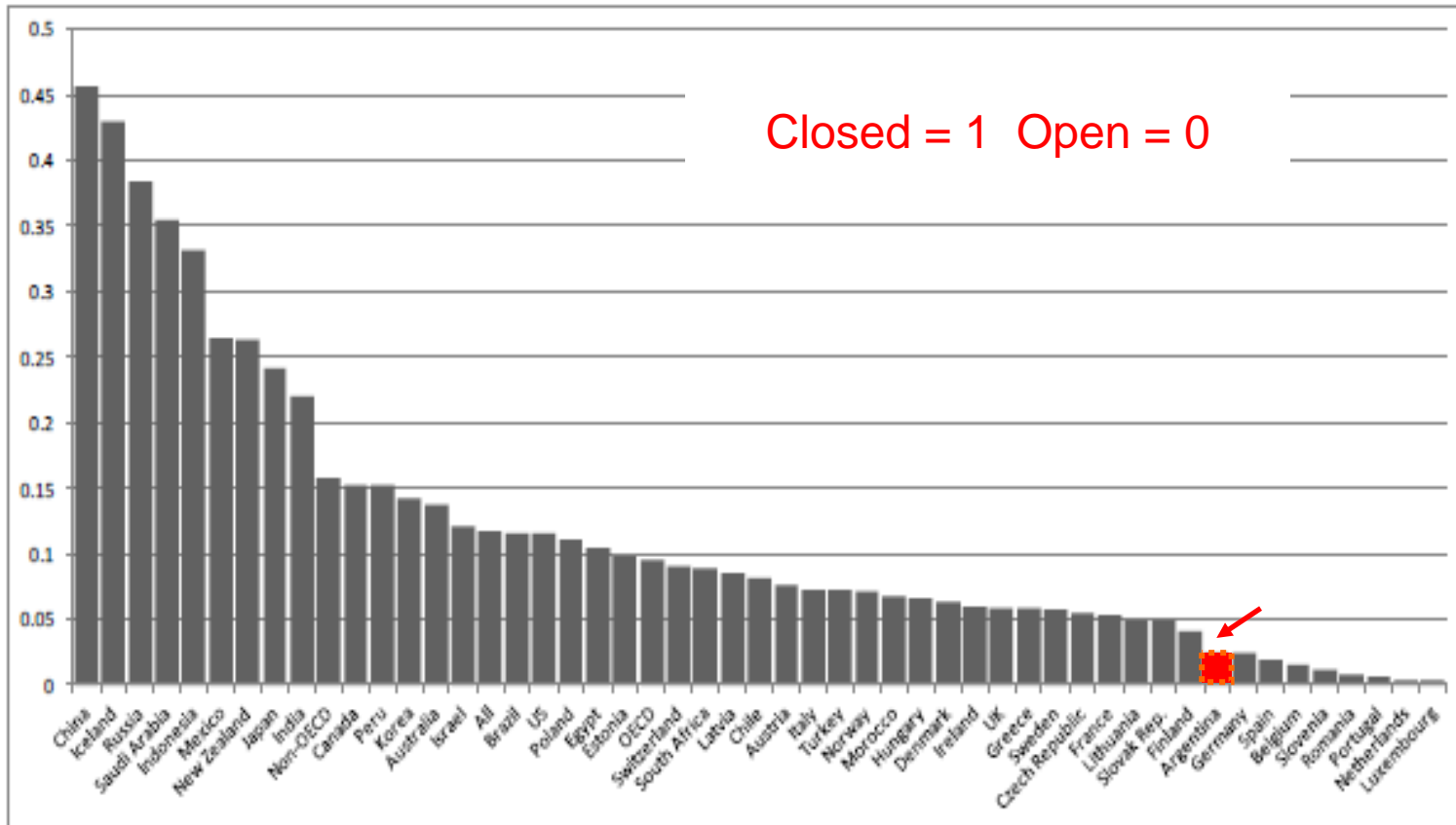
Source: ProsperAr based on INDEC



# Open to FDI

According to the OECD, Argentina is the least restrictive country in the region when it comes to FDI

## FDI Restrictiveness Index by country 2010



Four types of measures are covered by the FDI Restrictiveness Index:

- (i) foreign equity restrictions
- (ii) screening and prior approval requirements
- (iii) rules for key personnel
- (iv) other restrictions on the operation of foreign enterprises.

The highest score for any measure is 1 (the measure fully restricts foreign investment ) and the lowest is 0 (there are no regulatory impediments to FDI).

Source: ProsperAr based on OECD



# An economy integrated with the region and the world

Leading multinational companies operate in Argentina, most of them with a long-term vision and commitment

## Examples of multinationals with a presence in Argentina

- ✓ Nearly 2,000 multinationals
- ✓ Total FDI stock of US\$ 80 billion
- ✓ Ranked 15th among emerging countries in FDI stock (2009)
- ✓ Foreign affiliates account for:
  - + than 405,000 jobs (2007)
  - + than US\$ 121 billion in sales (2007)
  - 330 of the 500 largest non-financial companies in Argentina



# UK companies investing in Argentina

Several companies have reaffirmed their investment commitment in Argentina as reflected by some of the recent announcements in the country

## Top investors by number of Greenfield projects announced (2003-2010)



Source: FDI Markets, Financial Times

## Other recent investment announcements (2007-2010)



Source: ProsperAr, Investment Observatory



# A growing global player

## Leading Argentine companies operate internationally

### Examples of local multinationals

✓ Stock of Argentine FDI abroad: US\$ 28 billion

✓ Top 19 Argentine multinationals have:

- USD 19 billion in foreign assets
- 42,400 in employees abroad
- US\$ 21 billion in foreign sales
- 315 foreign affiliates in 42 countries
- Presence in a diversity of sectors





# Strong regional links

There are growing opportunities with Brazil, Argentina's main trading partner, to complement and specialize production

- Brazil is likely to become one of the most important economies in the world.
- In this context, Brazil's currency is expected to appreciate relative to the Argentine peso, favoring the relative competitiveness of various segments of Argentine industries and opening opportunities for greater complementarities and production specialization.
- As a member of MERCOSUR Argentina has tariff free access to a market 246 million consumers & combined GDP of almost US\$ 3 trillion (PPP) with an average GDP per capita of 12,500 (PPP); and preferential access to regional markets.

## MERCOSUR: Common market



Source: ProsperAr, based on IMF



# Highly skilled, innovative and talented human resources

A labor force with outstanding capabilities

- ✓ Internationally renowned for the quality, creativity and versatility of its human resources.
- ✓ Highest ratio of researchers to the economically active population in Latin America.
- ✓ English level among the highest in the developing world.
- ✓ Ranked 7th worldwide in quantity of Think Tanks.
- ✓ Highest level of patents registered at the U.S. Patent Trademark Office in the region (measured as total number per million inhabitants for a 40-year period).

## Researchers

(per million inhabitants)

Country	1990-2005
United States	4,605
Spain	2,195
<b>Argentina</b>	<b>720</b>
Chile	444
Brazil	344
Mexico	268
Colombia	109

✓ Almost 95,000 graduates from higher education programs and more than 7,600 postgraduate students from 107 universities across the country enter the labor market each year.

Source: ProsperAr based on World Bank, MINCYT and other sources



# Abundant and diverse natural resources

Size, abundance and variety to enjoy and develop



- ✓ 8th largest country in the world, 2nd in Latin America
- ✓ 9th largest agricultural area in the world
- ✓ 32 million Ha of forests
- ✓ 4,500 km of mining resources
- ✓ 4,700 km along the Atlantic Coast with rich fisheries
- ✓ 3rd largest fresh water reservoir in the world, the Guaraní Aquifer (shared with Brazil, Paraguay and Uruguay)

- ✓ Vast oil and gas resources with exploration opportunities
- ✓ Hydraulic energy generates 38% of the total electricity
- ✓ Growing wind and solar energy production



Source: ProsperAr based on United Nations Food and Agriculture Organization (FAO), CIA World Factbook, and other sources



# Modern infrastructure and quality connectivity

Modern infrastructure connecting Argentina within and beyond its borders

- ✓ Well-developed transport and infrastructure system: more than 38,700 kilometers of national roads; one of the longest rail road networks in the world (35,753 kilometers); 43 authorized ports; and 53 airports.
- ✓ Ranked second in the Logistics Performance Index in the region (World Bank, 2010).
- ✓ Fixed-line and mobile density among the highest in Latin America (World Bank).
- ✓ Ranked 16th worldwide in terms of internet hosts with 6 million hosts in 2010 (CIA Factbook).
- ✓ Buenos Aires: WiFi capital with the highest wireless density per inhabitant in Latin America, surpassing Sao Paulo, Mexico City and Santiago (2009)



Source: ProsperAr based on CIA world fact book and Ministry of Federal Planning, Public Investment and Services



# Remarkable quality of life

## Excellent living standards

- ✓ Ranked fourth among developing countries in the Quality of Life Index (International Living, 2010)
- ✓ Argentina is ranked in the High Development category of the Human Development Report and is ranked 2nd in Latin America (UNDP 2009)
- ✓ Buenos Aires was nominated as the best city to live in Latin America (The Economist 2009)
- ✓ Buenos Aires, together with Berlin and Montreal, was appointed as City of Design under the UNESCO Global Alliance's Creative Cities Network
- ✓ The country offers world-class health services at the most competitive costs and caters for international education with bilingual schools and universities responding to numerous cultures.



# Public sector supportive of investors

Welcoming investors: protection and equal rights for foreign investors



**The Argentine Constitution guarantees equal treatment and rights for local and foreign investors**

**The Foreign Investments Act (No. 21382) defines the legal framework for foreign investments.**

## Foreign investors may:

- ✓ Remit abroad liquid profits arising as a return on their investment as well as repatriate their investment
- ✓ Avail themselves of any of the legal forms of incorporation foreseen by Argentine legislation
- ✓ Make use of domestic credits and loans with the same rights and under the same conditions as domestic companies of domestic capital
- ✓ Access all sectors of economic activity as there are no activities reserved exclusively for local enterprises



# Public sector incentives

## Incentives across sectors to boost investment

### Horizontal incentives

- ✓ Investment Promotion Law (No. 26,360): early VAT return and/or accelerated depreciation allowances for investment on capital goods and infrastructure
- ✓ 0% tariff on imports of capital goods
- ✓ 0% tariff on imports of goods which are part of a large investment project
- ✓ For every new job created, 50% reduction on employers' contributions during the first year of employment and a 25% reduction in the second year
- ✓ Others: FONTAR, FONSOFT, SEPyME programs, incentives to foster employment and exports (for

### Sector incentives

- ✓ Specific benefits and incentives for diverse sectors: automotive and autoparts, software, biofuels, biotechnology, mining, forestry, public infrastructure and hydrocarbons
- ✓ Exemptions from provincial taxes for a determined period of time
  - ✓ Gross income
  - ✓ Stamp taxes
  - ✓ Property tax
- ✓ Financial support for infrastructure investments and purchase of relevant equipment



for further details please see

“Investment Incentives” published

by ProsperAr)



# Thank You!

To learn more about how investing in Argentina can benefit you, please contact us:

[www.argentine-embassy-uk.org](http://www.argentine-embassy-uk.org)

[trade@argentine-embassy-uk.org](mailto:trade@argentine-embassy-uk.org)

[www.prosperar.gov.ar](http://www.prosperar.gov.ar)

[info@prosperar.gov.ar](mailto:info@prosperar.gov.ar)

+ 5411 4328 9510