

Fast Facts on California-Argentina Trade and Economic Relations

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Eduardo Garcia, Chair

Argentina's economy is one of the largest in Latin America; currently ranked the 23rd in the world, with a 2013 GDP (purchasing power parity) of \$771 billion, and a real growth rate of 3.5% from 2012-2013.¹ Argentina benefits from an abundance of natural resources, a highly literate population, an export-oriented agricultural sector, and diversified industry.² Over the past century however, Argentina's economy has experienced persistent fiscal and current account deficits, high inflation rates, growing external indebtedness, and capital flight.³ The economy rebounded strongly from the 2009 recession into 2010, yet its progress has slowed since late 2011 despite expansionary fiscal and monetary policies implemented by the government.⁴

Profile of Argentina

- Argentina is the world's eighth largest country, with a land mass just under a third the size of the U.S.⁵ The South American nation is 2,780,400 square km, with 4,989 km of coastline along the South Pacific and Atlantic Oceans, and it borders Chile, Bolivia, Brazil, Paraguay and Uruguay.⁶
- As of 2014, Argentina has a population of 43 million people, with a median age of 31.2 years.⁷ Argentina's population growth is beginning to drop due to a steadily declining birth rate. Youth between the ages of 15-24 have reached a record high portion of the population (15.7%), contributing to a growing labor force in the short run.⁸
- Buenos Aires is the capital and the largest urban center in Argentina, with 13.5 million inhabitants. Other large urban areas include Cordoba (1.5 million population), Rosario (1.2 million population), Mendoza (917,000 population), and San Miguel de Tucuman (831,000 population) (2011).⁹
- Argentina has a high literacy rate; 97.9% in 2011.¹⁰ The country allocates 6.3%¹¹ of its GDP to education expenditures and provides for tuition-free public universities¹².
- 3.2% of the population holds a university degree, the second highest rate in the world, after France.¹³ There are 2,201 higher education institutions in the nation, with a total 2 million students enrolled (2012).¹⁴
- Following its independence in the 19th century, Argentina attracted large numbers of immigrants, especially from Spain and Italy. This diversity contributes to the linguistic representation of the country. Spanish is the official language; Italian is the second most commonly spoken, followed by English, German, French, and indigenous languages: Mapudungun and Quechua.¹⁵

Overview of Argentina's Economy

- The external sector of Argentina's economy faces significant challenges. Growth estimates for the first half of 2014 were 0.1% GDP from 2013, and the forecast for 2014 ranged from -1% to -1.5% growth.¹⁶ For 2015, about 0.5% growth is expected.¹⁷ Over the first 6 months of 2014, fiscal accounts had a primary surplus of 0.1% of GDP and an overall deficit of 0.9% of GDP, while public sector revenues went up 43% (year-over-year) and spending increased by 48% (year-over-year).¹⁷
- Argentina is one of the largest exporters of beef in the world and the top world producer of sunflower crops, yerba mate, lemons, and soybean oil.¹⁸
- In 2012, Argentina exported \$79.8 billion of goods and services: \$18.7 billion in soybean products, \$4.6 billion of corn, and \$714 million of bovine meat.¹⁹
- The top 3 countries Argentina exports to are Brazil, China, and Chile.²⁰
- In 2013, the agriculture, industry, and services sectors accounted for 9.3%, 29.7%, and 61% of Argentina's GDP, respectively.²¹ The services sector accounted for the greatest proportion of the labor force at 72%, while the industrial and services sectors comprised 23% and 5%, respectively.²²

- Argentina has one of the highest inflation rates in the world, ranked 218 out of 223 nations, with a 2013 inflation rate of 20.8%.²³ The U.S. has a 2013 inflation rate of 1.5%, for comparison.²⁴
- In 2013, foreign direct investment (FDI) in Argentina declined by 25%, from \$12 billion to \$9 billion, due to lower inflows in the mining sector.²⁵ In 2012, Argentina received most of its FDI from the Netherlands (\$2.97 billion), the U.S. (\$2.03 billion), Canada (\$1.84 billion), and Chile (\$1.25 billion).²⁶
- Shale gas is emerging as an opportunity for foreign investment in Argentina. As the production of shale gas in North America continues to grow at an average annual rate of 50% since 2007, Argentina's manufacturing sector could benefit from its rich shale reserves if it is able to attract foreign investment and improved technical capability for domestic shale projects.²⁷
- According to the Gini Index which measures income inequality (where 0 is perfect equality and 100 is perfect inequality), in 2013, Argentina scored 44.5 out of 100 and ranked 49th among 204 nations.²⁸ For comparison, the U.S. scored 40.8 out of 100 and ranked 5th out of all nations.²⁹
- Argentina is currently receiving \$4.9 billion in World Bank credits; The World Bank's involvement includes 20 projects targeting environmental, health, education, infrastructure, social protection and labor issues in the country.³⁰ Programs focus on the social safety nets, including increasing public access to health insurance, improving sewage and sanitation services, and enhancing flood prevention and road systems.³¹

Argentina and U.S. Trade and Investment Relations

- Argentina is currently the U.S.'s 41st largest goods trading partner, with \$14.8 billion in bilateral trade in 2013.³² The total value of goods the U.S. exported to Argentina was \$10.2 billion in 2013, and imports totaled \$4.6 billion.³³
- Primary U.S. exports to Argentina include machinery, oil, organic chemicals, and plastic.³⁴ Major U.S. imports from Argentina include mineral fuel and oil, aluminum, wine, iron and steel products, and preserved foods.³⁵
- Total trade in services between the U.S. and Argentina was an estimated \$8.3 billion in 2012.³⁶ Services exports from the U.S. to Argentina were \$6.4 billion and imports were \$1.9 billion.³⁷
- U.S. exports of agricultural products to Argentina totaled \$158 million in 2013; U.S. imports of agricultural products from Argentina totaled \$1.8 billion in 2013.³⁸
- U.S. foreign direct investment (FDI) in Argentina was \$14.4 billion in 2012, up 6.7% from 2011.³⁹ Most U.S. direct investment is in the manufacturing and finance sectors. Argentina's FDI in the United States (stock) was \$209 in 2012, down 22.0% from 2011.⁴⁰
- Sales of services in Argentina by large U.S.-owned affiliates were \$8.1 billion in 2011, while sales of services in the U.S. by large Argentina-owned firms were \$49 million.⁴¹
- The U.S. and Argentina have a bilateral investment treaty designed to protect U.S. investment, encourage private sector development in Argentina, and to support their economic reforms.⁴² Today, more than 500 U.S. companies are among the top investors in Argentina, with nearly \$15 billion worth of investments.⁴³
- In 2012, Argentina's inward FDI grew by 27% to \$12.5 billion, equivalent to 7.23% of the total investments in Latin America and the Caribbean, which makes Argentina the fifth largest FDI recipient in the region.⁴⁴ The U.S. was the second biggest investor, with \$2 billion of outflows.⁴⁵

Argentina and California Trade and Investment Relations

- The United States is Argentina's third-largest trading partner.⁴⁶ In 2014, California was the #8 state exporting to Argentina.⁴⁷
- Merchandise exported from California to Argentina in 2014 totaled \$333 million, down 11.9% from \$378 million exported in 2013.⁴⁸
- Argentina is California's 45th largest export destination, after Denmark and South Africa.⁴⁹

- In 2014, the top 5 major California exports to Argentina included: Computer and Electronic Products (\$130 million), Chemicals (\$88.2 million), Machinery, except electrical (\$35.4 million), Misc. Manufactured Commodities (\$21.2 million), and Agricultural Products (\$16.5 million).⁵⁰
- California and Santa Fe, Argentina have an ongoing reciprocal exchange program, which began in 2004 between the California Senate International Relations Foundation and the Fundación Nueva Generación Argentina (FNGA). The goal of the program is to increase the governments' political and economic ties, and increase the discussion of specific public policy issues including sustainable energy, port security, goods movement, and public safety.⁵¹
- Of the 23 provinces in Argentina, the Santa Fe Province has one of the most important economies in the country, accounting for nearly 10% of the nation's output. More than 20% of the cultivated lands of Argentina are in Santa Fe, whose main crops include soybeans, sunflowers, maize, wheat and rice. In addition, Santa Fe is home to 20% of the nation's livestock in meat and dairy.⁵²

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