India can reduce trade gap with Argentina by focusing on potential exports

Argentina is the third largest economy in South America after Brazil and Mexico and it is also the fourth most populous country in the region, thus representing a sizeable consumer market. India has untapped export potential to Argentina as our exports account for hardly 1.6% of this South American country’s imports. Currently, India is the 13th largest exporter to Argentina and our exports to Argentina have grown 5% between 2015 and 2019. Top 10 exporters to Argentina are Brazil, China, USA, Germany, Paraguay, Bolivia, Thailand, Italy, Mexico and Spain.

Although India does not have a full fledged free trade agreement with Argentina, India has a preferential trade agreement with the regional bloc MERCOSUR, of which Argentina is a member country. India has received tariff concessions on 450 products, ranging from: processed food, hides & skins, organic & inorganic chemicals, tanning or dyeing extracts, paper & paper products, leather, wool & woolen products, ceramic products, glass products, iron & steel, aluminum, table knives, scissors, electrical and other machinery items. India’s exports to Argentina more than doubled from USD 359 million in 2008-09 (the year before the MERCOSUR agreement came into effect) to USD 763 million in 2019-20.

However, there is still untapped potential to expand India’s exports to Argentina in a wide variety of sectors where India is already a sizeable exporter to Argentina, but its market size in the country is low compared to other exporters. For instance, even though India is considered pharmacy of the world and it has a well-developed export-oriented automobile sector, it hardly meets 1.5% of Argentina’s pharmaceutical imports and 0.7% of its automobile & auto-components imports. Therefore, India can explore export opportunities in motor cars, motor vehicles and parts & accessories of motor vehicles. In the pharmaceuticals sector, India can explore export of vaccines, immunological products and miscellaneous medicinal products.

In the plastics sector, Argentina imports more than USD 2.1 billion worth of plastic and allied products and India meets hardly 0.9% of this total imports. Even though organic chemicals is the major export item of India to Argentina, our exports hardly meets 10% of the overall imports in that country, suggesting scope for further exports. In the iron and steel sector, India can enhance exports of tubes, pipes, screws, nuts, bolts and other articles, which are imported in substantial quantity in Argentina.

The following table provides a glimpse of export opportunities in other products, along with other major exporters and India’s market share in Argentina.
India has a trade deficit of more than USD 1.2 billion with Argentina as its exports USD 809 million worth goods and imports USD 2066 million worth goods from this South American country. India can reduce this trade deficit through focused measures to increase its exports to South America. Government efforts are also paramount in enhancing exports and bridging the trade deficit between both the countries. In September 2020, senior government officials from India and Argentina held the 5th Foreign Office Consultations to discuss economic cooperation in pharmaceuticals, mining and other areas of trade, investment and technology cooperation.

The two sides reviewed the implementation of existing agreements as well as those under negotiation and agreed to take forward the bilateral agenda, including by holding regular meetings of the institutionalised bilateral mechanisms. They agreed to explore holding of the Joint Commission Meeting at the level of Foreign Ministers, at an early date.

We should also increase exchange of trade delegation between both the countries and promote trade through e-commerce to enable small enterprises access each other’s markets cost-effectively. These measures will not only help India reduce its trade gap with Argentina, but also help diversify Argentina’s export basket to India. Currently, vegetable oil accounts for 82% of Argentina’s exports to India. Around 36% of the total vegetable oil exports of Argentina is bound for India. Other export items are raw hides, precious metals, articles of iron & steel and cereals.
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