

Argentina–South Africa: bilateral relation and integration into the world¹

May 2012

Abstract

The links between South Africa and Argentina are strategic and they involve crucial long-run interests. Both countries have a significant resource endowment and they have experience in terms of integration (MERCOSUR, SACU); moreover, they both seek to expand their value chains and increase employment, thus profiting from the economies of scale that enlarged markets offer. In view of this, this bilateral relation will create new trade and investment opportunities and foster enhanced understanding at the government level and between both societies. The aim of this paper is to delve into these aspects which are in constant interaction and determine the development of mutual relations.

1. Introduction

Both Argentina and South Africa have a broad territory which is abundantly endowed with resources for the development of agriculture—a very competitive and hi-tech sector in Argentina—and mining and energy—a sector which is clearly at a more advanced stage in South Africa. The challenge that both countries are currently facing is that of diversifying their productive structure, expanding their infrastructure and enhancing social progress, always bearing in mind the need to overcome the unemployment of productive factors—mainly of human resources—and to reduce disparities in income distribution.

Mutual economic relations have been dynamic in the last few years through a strong expansion of trade, investments and communications, although absolute levels are still substantially far from the potential expected in terms of their local products and the value of their exports of goods and services.

In September 2005, both countries agreed to create the South Africa-Argentina Binational Commission, which gathers at ministerial level once a year. According to this Commission, the relations between both countries are of strategic cooperation and of diplomatic convergence, in line with their shared interests at the multilateral level, their regional integration goals and the expansion of their bilateral relations.

This paper is divided into five sections. After this introduction, Section 2 provides an analysis of the share Argentina and South Africa have in world output and trade. Section 3 assesses the evolution of bilateral trade. Section 4 describes trade in services, which is particularly dynamic in both countries. Section 5 presents the conclusions that derive from the previous sections.

¹ Update by Carlos D'Elía of the article "Argentina–South Africa: bilateral relation and integration into the world," by Carlos D'Elía and Néstor Stancanelli, originally published in the CEI Journal No 16 of August 2009. Sections 2, 3 (except 3.3) and 5 of said article have been updated, and they are included in this version.

2. Argentina and South Africa in the world

2.1. Argentina's and South Africa's shares in world GDP

Argentina and South Africa are roughly similar in terms of gross domestic product (GDP) levels. In 2011, Argentina's share in world GDP was 0.64%, whereas that of South Africa was 0.59%. Measured in current US dollars, Argentina's GDP, which reached USD 445.87 billion, was 9.3% higher than that of South Africa, which was at USD 408.07 billion (Table 1).

Table 1
Evolution of GDP, GDP per capita and share in world GDP

Year	Argentina			South Africa		
	Current GDP in millions of USD	GDP per capita in USD	World GDP share in %	Current GDP in millions of USD	GDP per capita in USD	World GDP share in %
1980	209,018	7,478	1.95	80,547	2,764	0.75
1985	88,187	2,905	0.74	57,273	1,736	0.48
1990	141,337	4,344	0.64	111,998	3,039	0.51
1995	258,096	7,418	0.87	151,117	3,685	0.51
2000	284,204	7,733	0.88	132,964	2,986	0.41
2005	181,506	4,742	0.40	246,956	5,267	0.54
2006	211,678	5,492	0.43	261,175	5,511	0.53
2007	260,263	6,659	0.47	285,805	5,910	0.51
2008	325,705	8,256	0.53	274,186	5,606	0.45
2009	306,844	7,733	0.53	284,236	5,746	0.49
2010	368,735	9,131	0.58	363,475	7,271	0.58
2011	445,870	10,945	0.64	408,074	8,066	0.59

Source: CEI based on INDEC and IMF.

Measured at constant prices, between 2003 and 2011, Argentina's GDP grew at an average annual rate of nearly 7.8%, whereas South Africa's GDP did so by 3.6%. The international crisis of late 2008 had a negative impact on both countries' economies: Argentina's GDP grew by just 0.9%, whereas that of South Africa fell by 1.5% in 2009 with respect to 2008. According to the latest available data, Argentina's GDP grew by 8.9% at the end of 2011, thus achieving its ninth consecutive year of growth. South Africa's economic growth was at 3.1% in 2011.

The latest IMF estimates published on 17 April 2012 (World Economic Outlook Update) forecast that world GDP will grow by 3.5% in 2012 and by 4% in 2013. In turn, developing and emerging countries are expected to continue to drive world economic growth by 5.6% in 2012 and by 6% in 2013.

2.2. Argentina and South Africa in world trade

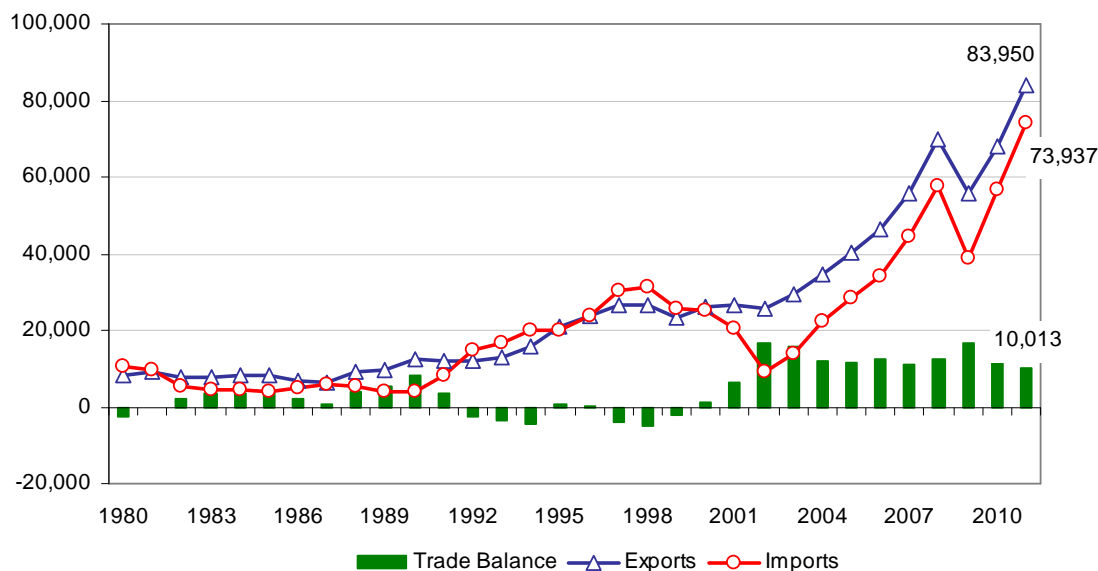
Between 2003 and 2011, exports grew more than imports in both countries, although this was more pronounced in the case of Argentina. In contrast, throughout those nine years their trade balances moved in opposite directions: whereas Argentina recorded surpluses ranging between USD 10 billion and USD 16.8 billion, South Africa had decreasing deficits in the last five years, reaching a level of USD 6.5 billion in 2011.

2.2.1. Total trade

During the eighties, Argentine exports averaged USD 8.1 billion and only in 1990 did they surpass USD 10 billion, to reach over USD 25 billion at the beginning of the following decade. After three years of stagnation, they showed a period of sustained growth (+173% in six years) as from 2002, thus exceeding USD 70 billion in 2008. After the 21% export reduction occurred in 2009 as a result of the international crisis, Argentine exports recovered during the following two years, thus reaching their maximum historical value in 2011, when they amounted to USD 83.95 billion (Graph 1). This situation led export values to more than double those recorded in 2005. Despite this escalation, Argentina's share in world exports remained slightly above 0.4% (Table 2).

As regards imports, these soared by over 500% between 2002 and 2008, when they reached USD 57.42 billion. In 2009, imports plunged by 32% due to the international crisis, but subsequently rose, on average, by 38% in the following two-year period, thus reaching USD 73.94 billion in 2011 (Graph 1). Over the last decade, Argentina's share in world imports grew from 0.14% in 2002 to 0.4% in 2011 (Table 2).

Graph 1
Evolution of Argentine foreign trade
in millions of USD



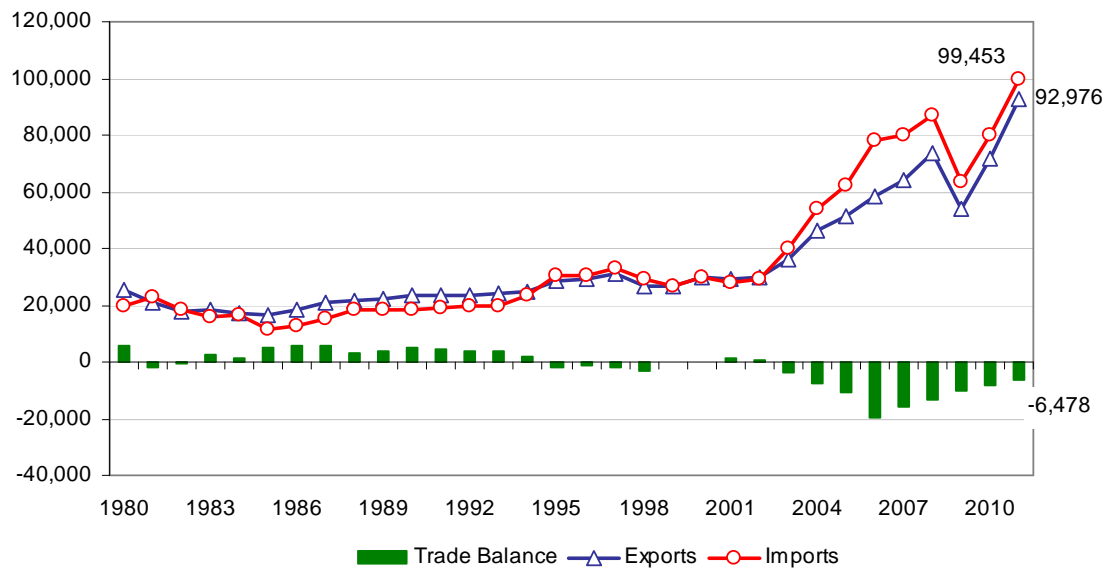
Source: CEI based on INDEC.

In 2011, for the second consecutive year, the higher growth rate of imports over exports resulted in a reduction of the Argentine trade balance (-14% with respect to 2010), although it remained over USD 10 billion.

South Africa's trade balance, which until 2002 was balanced, subsequently showed a growing deficit, which reached its maximum value in 2006 when it totalled USD 20 billion (Graph 2). The increase in the deficit resulted from the higher growth of imports (+23%, on average, between 2002 and 2006) over exports (+15%). After the international crisis of late 2008, the greater recovery of exports over imports enabled a reduction in the trade balance deficit, which reached USD 6.48 billion in 2011.

While in 2011 South African exports were 11% higher than Argentine exports, imports were 35% higher.

Graph 2
Evolution of South African foreign trade
in millions of USD



Source: CEI based on IMF and COMTRADE.

In the last three decades, South Africa reduced its share in world trade: whereas it accounted for 1.39% of world exports and 1.03% of world imports in 1980, in 2011 its share was of 0.51% and 0.54% respectively (Table 2).

Table 2
Share of Argentina and South Africa in world trade
in %

Year	Argentina		South Africa	
	Exports	Imports	Exports	Imports
1980	0.44	0.55	1.39	1.03
1985	0.45	0.19	0.87	0.58
1990	0.37	0.12	0.70	0.52
1995	0.41	0.39	0.56	0.59
2000	0.41	0.38	0.47	0.45
2005	0.39	0.27	0.50	0.58
2006	0.38	0.28	0.48	0.64
2007	0.40	0.31	0.46	0.56
2008	0.43	0.35	0.46	0.53
2009	0.44	0.30	0.43	0.50
2010	0.45	0.37	0.47	0.52
2011	0.46	0.40	0.51	0.54

Source: CEI based on INDEC, IMF and COMTRADE.

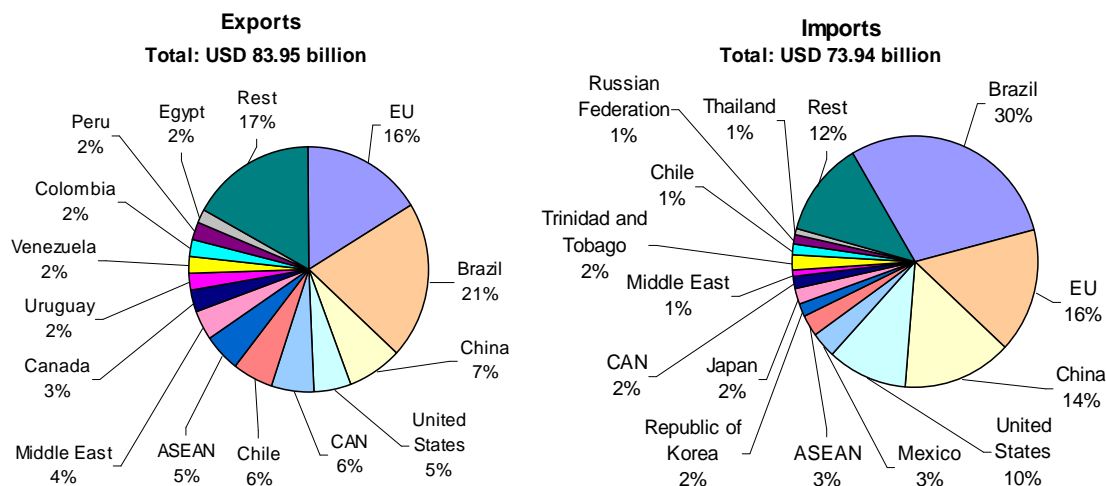
2.2.2. Trade by country

In 2011, the most relevant markets for Argentine exports continued to be MERCOSUR, the European Union and NAFTA, which concentrated around 51% of export value (Graph 3). As for Argentine imports, MERCOSUR—with a share of 31%—continued to be their main origin, followed by the European Union and NAFTA. These three trading blocs accounted for around 61% of Argentine imports.

The trade deficit with Brazil rocketed by 40% in 2011, whereas that with the United States did so by 39%. Among Argentina's main trade partners, the greatest increase in the trade balance deficit was recorded with China (+146%), with whom Argentina had a positive balance between 2001 and 2007. Said deficits

were more than compensated for by a higher surplus with the remaining trade partners (Rest of MERCOSUR, the EU, Chile, CAN, ASEAN, and the Middle East).

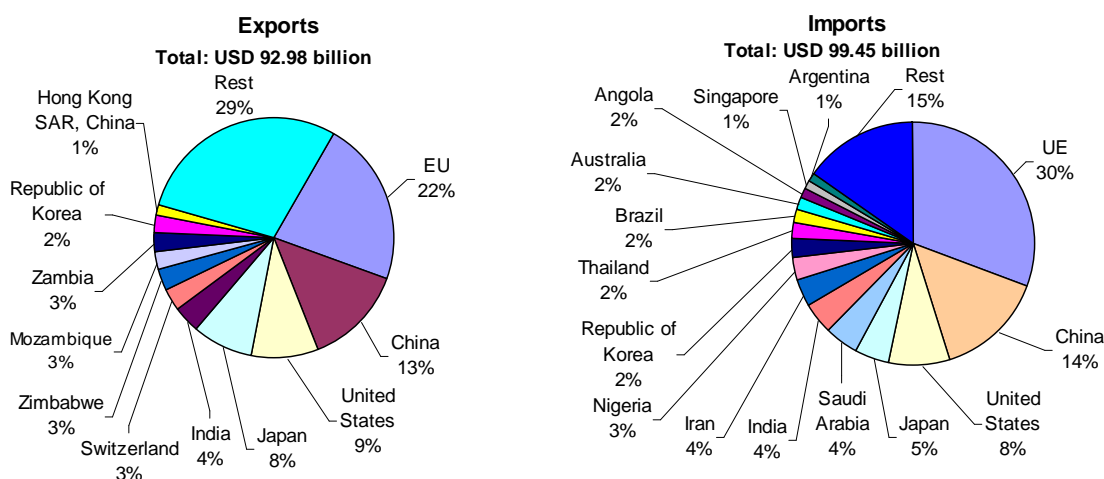
Graph 3
Argentine foreign trade in 2011: main destinations and origins



Source: CEI based on INDEC.

As for South Africa, the European Union—with a share of 22% in exports and 30% in imports—was its main trade partner in 2011 (Graph 4). Other important partners were China and the United States, both as export destinations (13% and 9% respectively) and as import origins (14% and 8% respectively). Argentina, with a share of 1%, was the fifteenth South African import origin.

Graph 4
South African foreign trade in 2011: main destinations and origins



Source: CEI based on COMTRADE.

2.2.3. Sectoral trade

The fall in the share of both countries in world trade can be accounted for by the key role played by exports of agricultural products, energy and mining, which are sectors with lower relative growth in global demand, thus losing part of their share in international trade.

It is for this reason that the policies aimed at diversifying and enhancing industrial production, both in Argentina and South Africa, as well as the integration agreements—having the same purpose—between the Southern Common Market (MERCOSUR) and the South African Customs Union (SACU) play a significant role.

As can be seen in Table 3, at the level of sections of the Harmonized System, Argentine foreign trade is characterized by an export concentration in agri-food², which reached USD 43.29 billion in value, accounting for 53% of exports in 2011. Other outstanding sections were Transport material (12.9%) and Mineral products (8.2%).

As for imports, Machinery and apparatus stood out, accounting for 26.2% of last year's imports, followed by Transport material (19.3%) and Mineral products (14.3%).

Table 3
Argentine foreign trade in 2011 by section of the Harmonized System

Section of the Harmonized System	Exports		Section of the Harmonized System	Imports	
	millions of USD	share in %		millions of USD	share in %
Vegetable products	16,942	20.6	Machinery and apparatus	19,367	26.2
Food, beverages and tobacco	14,380	17.5	Transport material	14,261	19.3
Transport material	10,595	12.9	Minerals	10,539	14.3
Oils	6,824	8.3	Chemicals	10,315	14.0
Minerals	6,767	8.2	Plastic and rubber	4,528	6.1
Chemicals	6,207	7.6	Metals	4,328	5.9
Live animals and animal products	5,142	6.3	Textiles	1,841	2.5
Metals	3,044	3.7	Optical instruments	1,748	2.4
Pearls and precious metals	2,747	3.3	Paper and paperboard	1,520	2.1
Machinery and apparatus	2,408	2.9	Miscellaneous manufactured articles	1,177	1.6
Rest	7,074	8.6	Rest	4,299	5.8
Total	82,131	100.0	Total	73,922	100.0

Source: CEI based on INDEC.

Like Argentina, South Africa concentrates its exports in Primary products and their manufactures (Table 4). In 2011, the most outstanding sections were Mineral products (26.4% of exports), Pearls and precious metals (22.3%) and Metals (14%), while in the case of imports, Machinery and apparatus (24.5% of South African imports) and Mineral products (22%) stood out.

² Food, beverages and tobacco, Vegetable products, Oils, and Live animals and animal products.

Table 4
South African foreign trade in 2011 by section of the Harmonized System

Section of the Harmonized System	Exports		Section of the Harmonized System	Imports	
	millions of USD	share in %		millions of USD	share in %
Minerals	24,510	26.4	Machinery and apparatus	24,353	24.5
Pearls and precious metals	20,751	22.3	Minerals	21,837	22.0
Metals	13,027	14.0	Transport material	10,872	10.9
Transport material	8,020	8.6	Chemicals	9,078	9.1
Machinery and apparatus	7,908	8.5	Works of art, collector's pieces and antiques	6,107	6.1
Chemicals	5,207	5.6	Metals	4,778	4.8
Vegetable products	3,557	3.8	Plastic and rubber	3,905	3.9
Food, beverages and tobacco	2,644	2.8	Textiles	2,972	3.0
Paper and paperboard	1,702	1.8	Optical instruments	2,606	2.6
Plastic and rubber	1,616	1.7	Food, beverages and tobacco	2,360	2.4
Rest	4,033	4.3	Rest	10,586	10.6
Total	92,976	100.0	Total	99,453	100.0

Source: CEI based on COMTRADE.

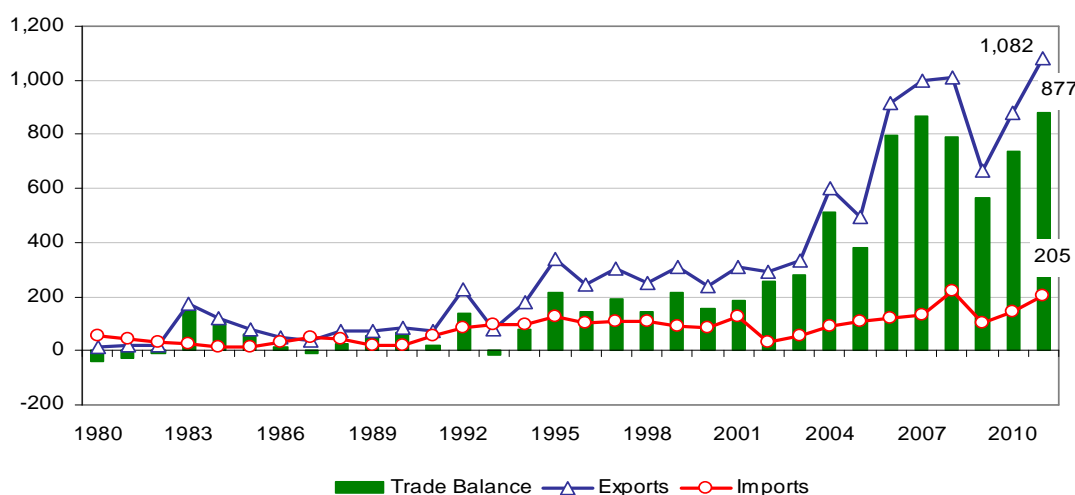
3. Bilateral trade

3.1. Total trade

In 2011, Argentine exports to South Africa amounted to USD 1.08 billion (Graph 5), thus showing a 23% growth with respect to 2010. In turn, imports from South Africa totalled USD 205 million, implying a 45% increase in the same period.

Except for 2009, when global trade suffered the consequences of the international crisis, Argentine exports to South Africa showed a significant increase, thus tripling last decade's average (USD 209 million). Among other factors, besides the greater competitiveness of the traditional exports of the other country in both markets, it is worth highlighting both the raw material price increase recorded and the economic output growth, as well as the consequent increase in import demand. In 2011, South Africa's share in Argentine exports was of 1.3%.

Graph 5
Trade between Argentina and South Africa
in millions of USD



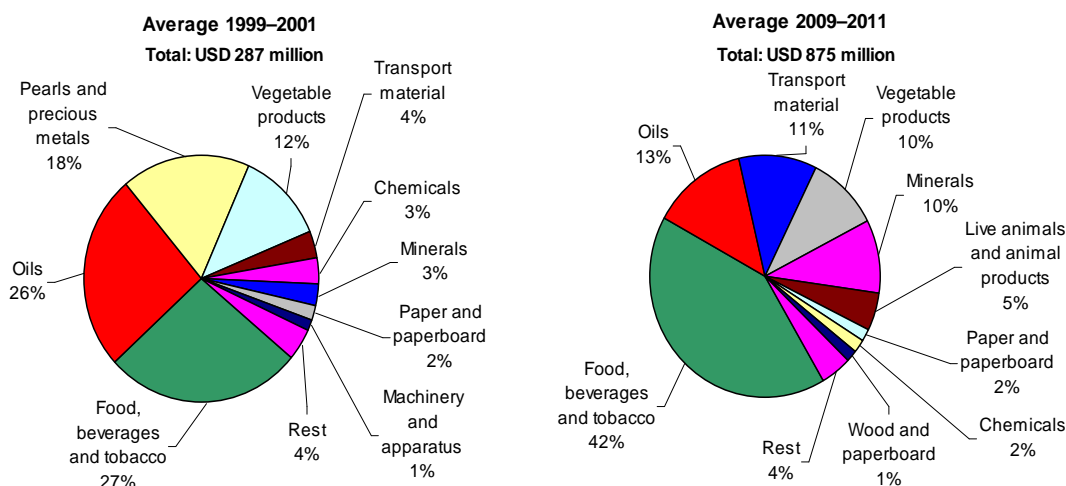
Source: CEI based on INDEC.

In the nineties, Argentine imports from South Africa recorded an annual average of USD 90 million. With the crisis of 2001, they plummeted but, since 2005, they have recovered, exceeding said average value. In 2011, they reached USD 205 million, with a share of 0.3% in total Argentine imports.

3.2. Sectoral trade

In the last three-year period, Argentine exports to South Africa were concentrated in Agricultural products, recording an export annual average of USD 612 million and a share of 70% in total exports (Graph 6). Said item recorded an absolute increase of USD 422 million and an increase in share by 4 percentage points compared with the average 1999–2001 (+66%). This increase was accounted for by the greater share of Food, beverages and tobacco, which rose from a share of 27% in Argentine exports to South Africa ten years ago to a share of 42% in the last three years. It is worth noting the reduction in the share of Oils (it decreased from 26% to 13%) and Pearls and precious metals (from 18% to 0%).

Graph 6
Sectoral breakdown of Argentine exports to South Africa



Source: CEI based on INDEC.

Three products accounted for nearly 70% of Argentine exports to South Africa in 2011: soybean flour (32.9%), diesel motor vehicles for the transport of goods (18.9%) and wheat other than for sowing (17.3%); all three recording an increase in exports with respect to 2010 (Table 5).

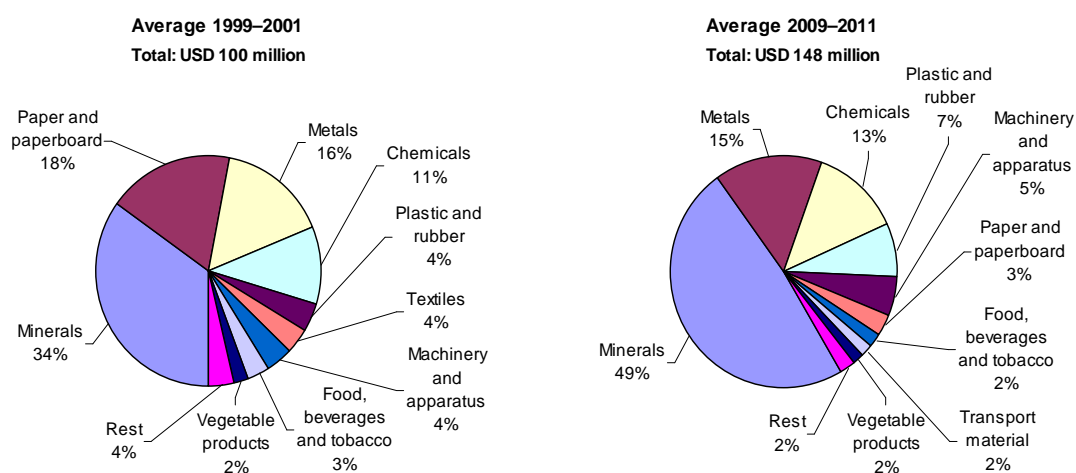
Table 5
Argentine exports to South Africa, 2010–2011
Top ten products exported in 2011
in millions of USD

Tariff line	Description	2010	2011	Share in 2010 (%)	% Change 2011/2010
23040010	Flour and pellets resulting from the extraction of soybean oil	331	356	32.9	8
87042190	Vehicles for the transport of goods, g.v.w. not exceeding 5 tonnes, with compression-ignition internal combustion piston-engine (Diesel or semi-Diesel)	46	204	18.9	343
10019090	Wheat and meslin, other than durum wheat and wheat for sowing	16	187	17.3	1,080
15121110	Crude sunflower oil	58	33	3.1	-42
15079019	Soybean oil, refined, only in containers of less than 5 lt.	52	29	2.7	-45
20096900	Grape juice (including must) excluding Brix value not exceeding 31	7	27	2.5	311
02071400	Cuts and offal of fowls, frozen	17	21	2.0	26
87043190	Vehicles for the transport of goods, g.v.w. not exceeding 5 tonnes, with spark-ignition internal combustion piston-engine	0.2	16	1.5	8,180
23063010	Cakes, flour and pellets made of fats or sunflower oils	10	14	1.3	46
47032100	Semi-bleached or bleached coniferous chemical wood pulp, soda or sulphate	18	14	1.3	-24
	Rest	324	180	16.6	-44
	Total	879	1,082	100.0	23

Source: CEI based on INDEC.

As for the sectoral breakdown of Argentine imports from South Africa in 2009–2011 (Graph 7), 49% was accounted for by Mineral products—where bituminous coal stood out. The share of this item increased by 15 percentage points with respect to 1999–2001. In absolute values, imports of said item rose from USD 35 million to USD 71 million. This increase was triggered by the decreased share of Paper and paperboard (it fell from 18% to 3%). Totalling USD 23 million, Metals—with a share of 15% in Argentine imports from South Africa—was the second item in terms of importance.

Graph 7
Sectoral breakdown of Argentine imports from South Africa



Source: CEI based on INDEC.

Only one product, bituminous coal, accounted for more than one-third of Argentine imports from the South African market in 2011, recording an increase in imports of 28% compared to 2010 (Table 6). Another outstanding product was the monoammonium phosphate (13.1% of imports), which had not recorded any imports in 2010.

Table 6
Argentine imports from South Africa, 2010–2011
Top ten products imported in 2011
in millions of USD

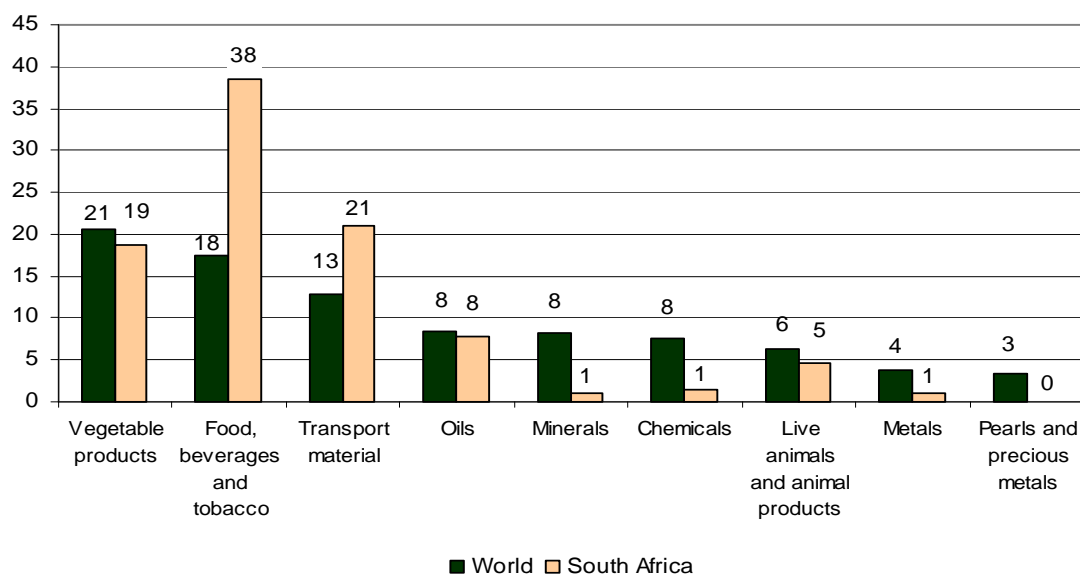
Tariff line	Description	2010	2011	Share in 2010 (%)	% Change 2011/2010
27011200	Bituminous coal, not agglomerated	58	74	36.3	28
31054000	Monoammonium phosphate even mixed with diammonium phosphate	0	27	13.1	n.a.
26100010	Chromite	11	11	5.5	3
40022090	Butadiene rubber (BR) in plates, sheets or strips and primary forms excluding oil	7	10	4.9	34
26011100	Iron ores, non-agglomerated, other than pyrites	0.001	8	4.0	1,137,507
73102110	Cans with a capacity of less than 50 litres, of iron or steel, for packaging food products	6	6	2.9	7
69091930	Ceramic beehive based on alumina, silica and magnesium oxide, of catalytic exhaust gas purifiers	0.1	3	1.4	2,233
75021010	Nickel cathodes	2	3	1.3	54
39021020	Uncharged polypropylene, in primary forms	1	2	1.2	158
27129000	Mineral wax and paraffin	2	2	1.2	36
	Rest	55	58	28.2	6
	Total	141	205	100.0	45

n.a.: Non-applicable
Source: CEI based on INDEC.

Both Argentina and South Africa concentrate most of their exports in Natural resources and their manufactures. As can be seen in Graph 8, this trade pattern is even more pronounced when it comes to Argentine exports to South Africa, which markedly concentrate—more than to the rest of the world—in Agricultural products and articles thereof. For example, in 2011, while 18% of total Argentine exports was accounted for by Food, beverages and tobacco, the share of that section in the case of Argentine exports to South Africa was of 38%. Exports of Vegetable products were more balanced (21% share in exports to the world and 19% in exports to the South African market), as were those of Oils (8% and 8% respectively).

It is worth highlighting the case of Transport material, whose share in Argentine exports to South Africa was of 21% while that to the world was of 13%.

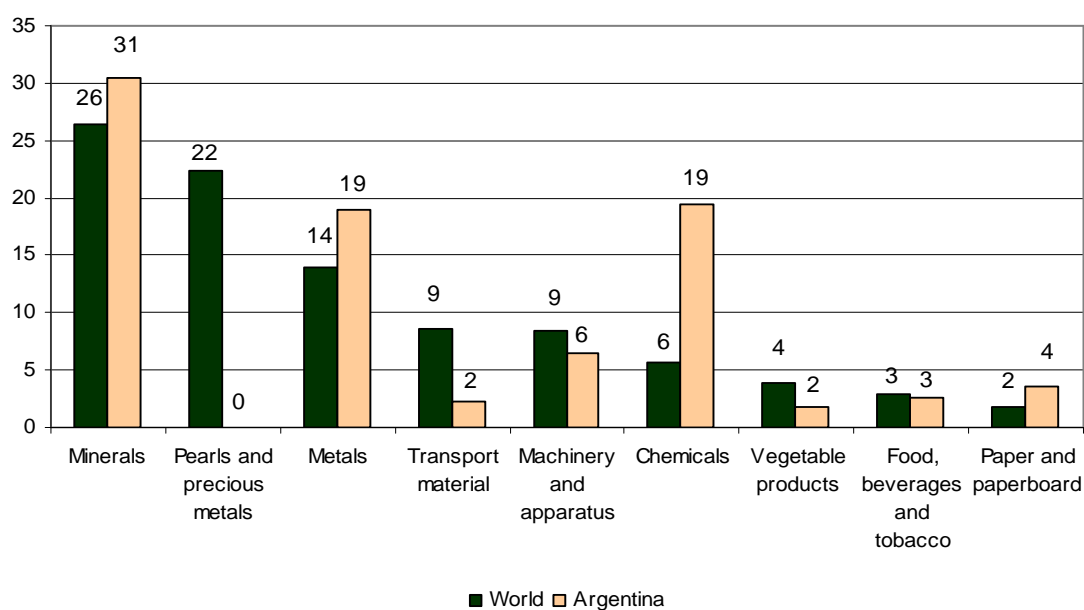
Graph 8
Argentine exports by section of the Harmonized System: Year 2011
in % of total exports



Source: CEI based on INDEC.

In order to analyse South African exports to Argentina, the three main export items were Mineral products, Metals and Chemicals, which had a greater share in total South African exports to Argentina than that they had in total South African exports to the World (Graph 9). According to statistics from a South African source, in 2011, 26% of total South African exports was accounted for by Mineral products, while said item explained 31% of Argentine exports. The share of Metals and Chemicals in South African exports to the Argentine market was of 19% in both cases, whereas in total South African exports it was of 14% and 6% respectively.

Graph 9
South African exports by section of the Harmonized System: Year 2011
in % of total exports



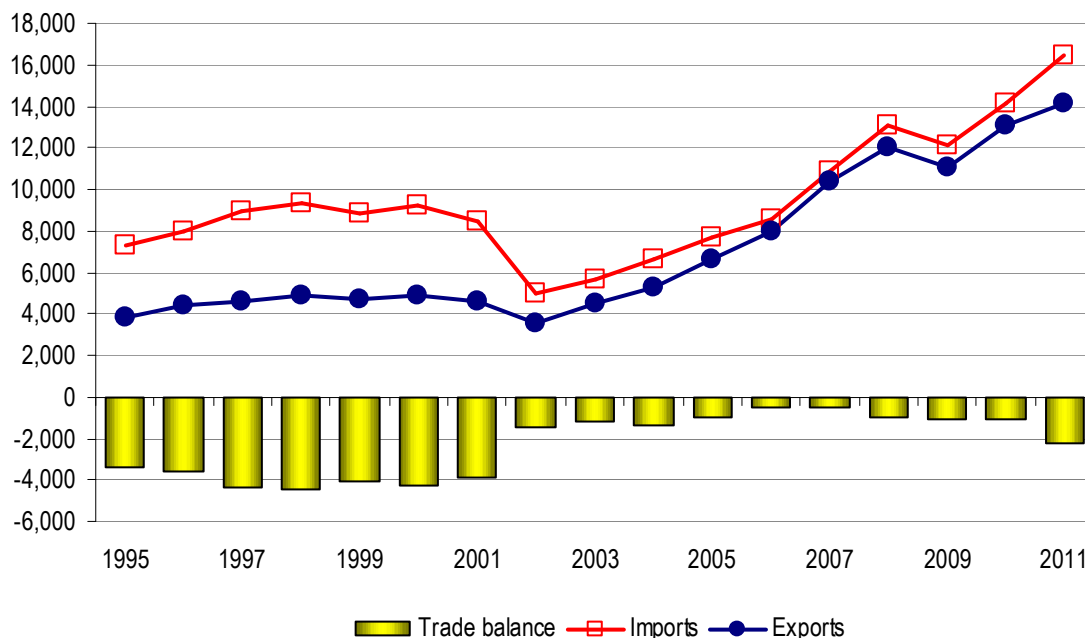
Source: CEI based on COMTRADE.

4. Services

Services accounted for the greatest share of GDP and had a dynamic role in the development of the external sector of both countries. In the case of Argentina, exports and imports of services reached USD 14 billion and USD 16.4 billion in 2011 respectively (Graph 10). They were equal to nearly 20% of trade in goods. In 2010, South Africa underwent a similar situation, with exports and imports totalling USD 14 billion and USD 18.4 billion respectively (Graph 11).

The following graphs show the evolution of trade in services in both countries and the breakdown of their respective exports and imports, which reveal a significant share of higher value-added services, such as professional, IT, engineering, architecture and cultural services. Trade diversification in this sector gives rise to another stream of opportunities to expand the mutual relation, so far barely exploited in this important area of international economic trade.

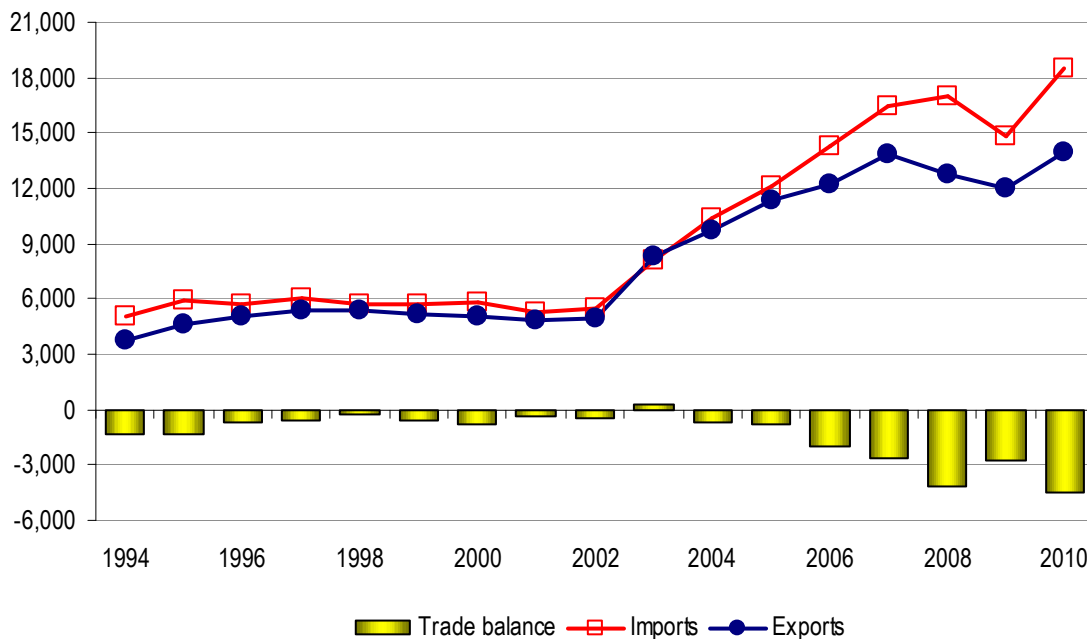
Graph 10
Argentine foreign trade in services
in millions of USD



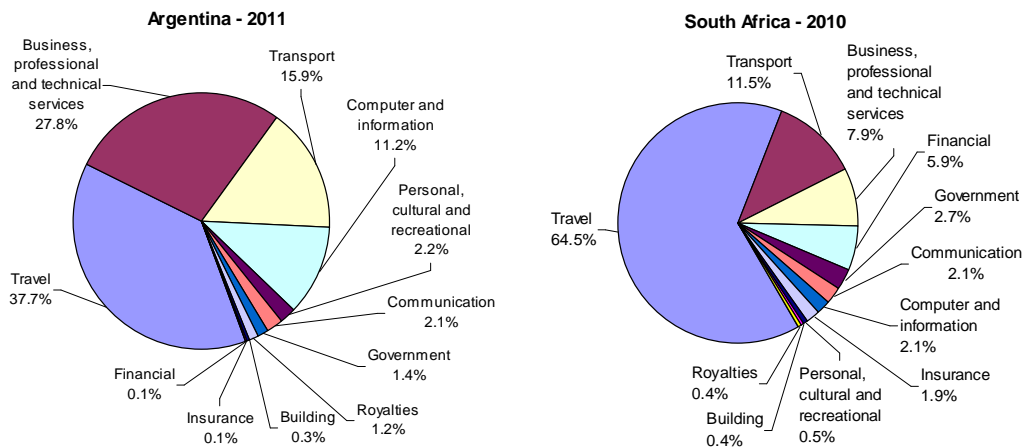
Source: CEI based on MECON.

Graph 11
South African foreign trade in services
in millions of USD

Source: CEI based on IMF.



Graph 12
Exports of services by sector



Source: CEI based on MECON and IMF.

5. Conclusion

Throughout this paper we have mentioned the economic and commercial importance of both countries, their position in the world and, in terms of economic integration, the development of their bilateral relations and the opportunities they have to diversify and expand those relations.

It is worth noting that both South Africa and Argentina play a significant role in their respective regions of influence, are leaders in their respective regional integration processes and carry out systematic action to improve the position of developing countries in global trade and economy, with the aim of providing solutions to revert the current economic crisis of developing countries, improve their position in world trade and give them a more prominent role.

The political ties at the highest level, materialised in ministerial visits, cooperation agreements in different areas, academic relations and the regular functioning of the Bilateral Intergovernmental Commission, constitute an appropriate basis for promoting more diversified and deeper relations, strengthening the bargaining power of both countries.

It will be necessary to take advantage of such political momentum to insist on a greater coordination of multilateral affairs, foster integration between MERCOSUR and SACU, and promote bilateral relations at the government, business and academic level. The increased relations will create new opportunities and, therefore, will expand the results obtained so far, thus consolidating the trend observed since the beginning of this decade.