

EXPORTS & DIGITALIZATION: CHALLENGES & OPPORTUNITIES FOR ARGENTINEAN SMEs



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FEALAC
TITM Seminar on Trade and SMEs

Gabriel Vienni
UIA – Argentina
@gvienni

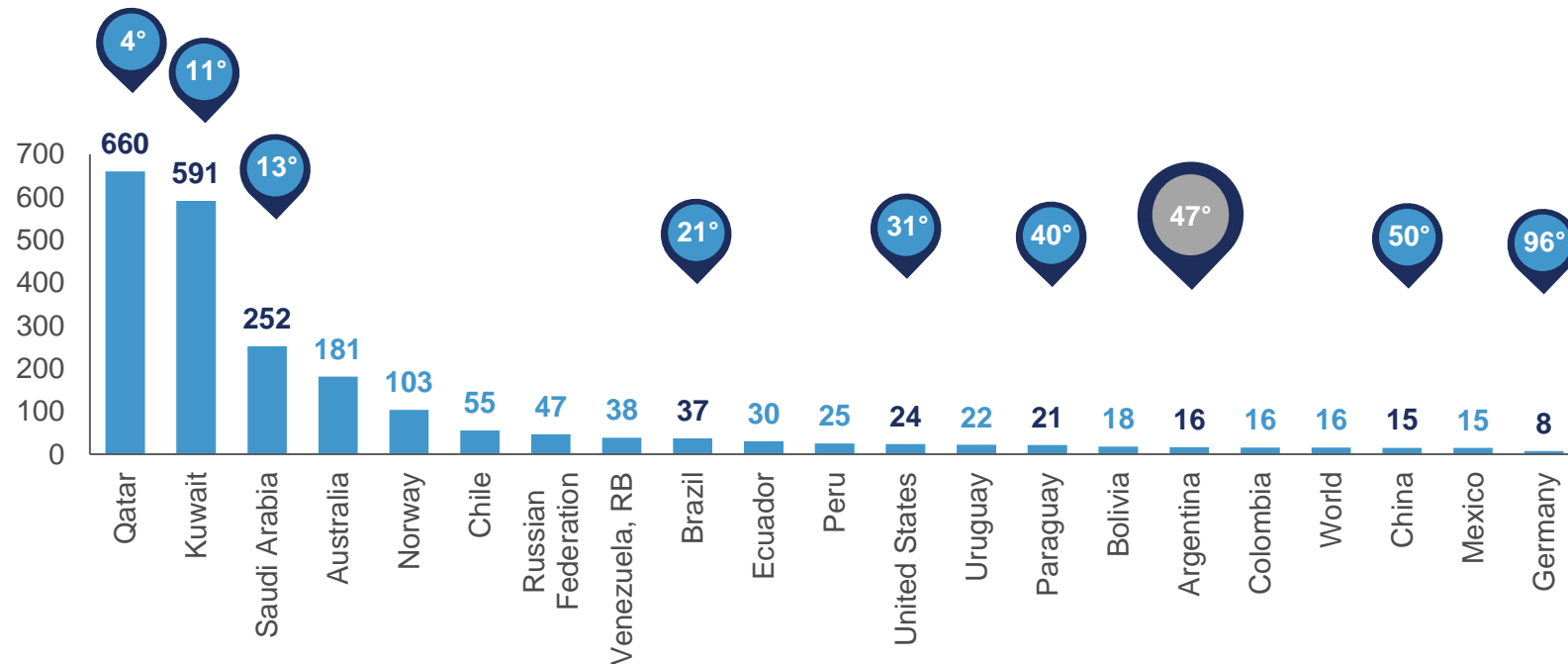
01

The need of Value added exports

Argentina: rich in natural resources but not so much

Natural Capital per Capita and ranking

Billions of US\$ - 2014

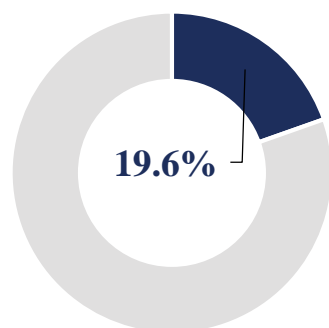


Source: World Bank

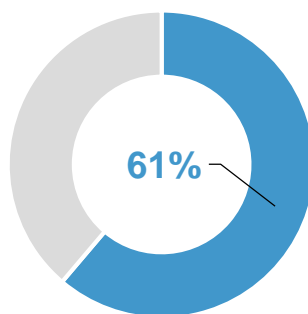
So Industry plays a huge rol

Industry participation in main variables

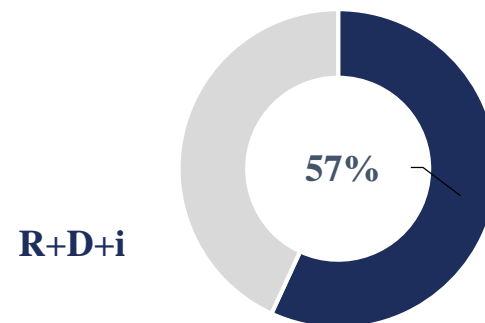
Share, in percentage



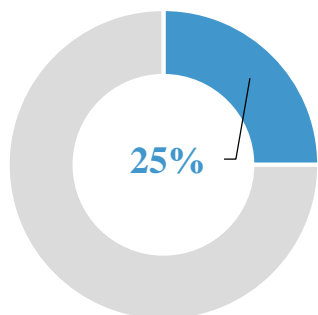
GDP



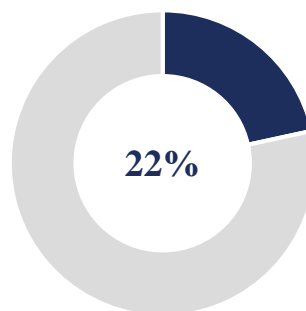
**MANUFACTURING
EXPORTS**



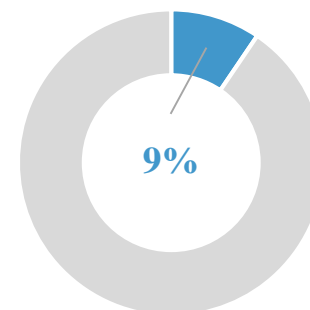
R+D+i



**TAX
REVENUE**



PAYROLL



ACTIVE COMPANIES

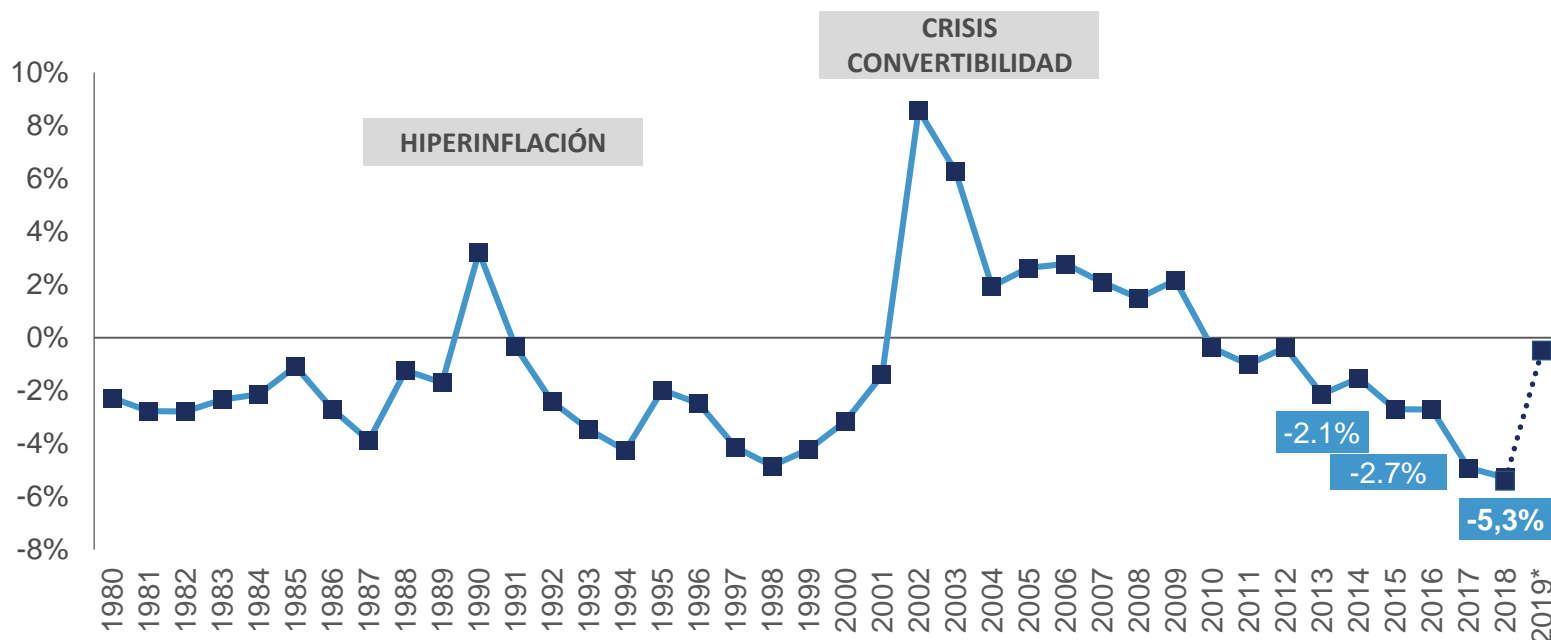
Source: INDEC, AFIP, SIPA

**Formal employment: 18%
Wages: 30% above average**

Secular external sector deficit...

Current Account (deficit/ surplus)

% of GDP



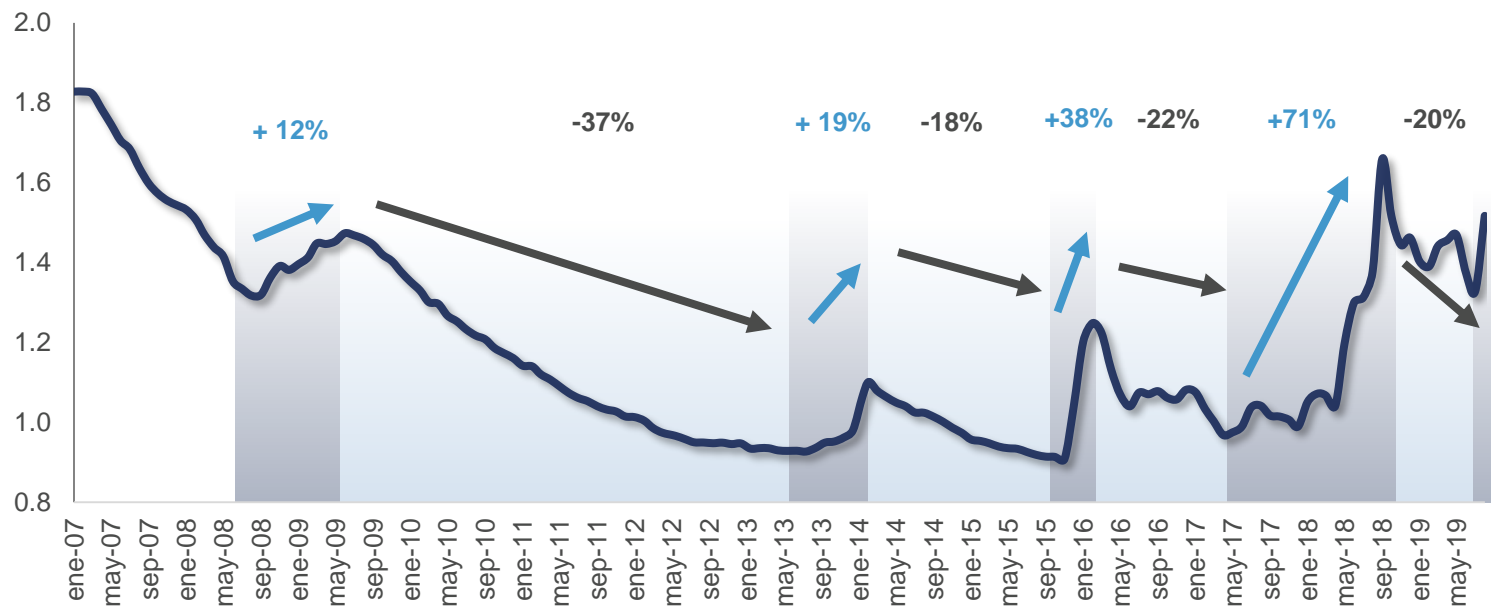
Fuente: CEU-UIA en base a datos de INDEC y WEO-FMI.

La falta de divisas llevó a fuertes ajustes cambiarios y recesivos

... leads to Macroeconomic volatility

Real exchange rate

Dec 2001 = 100



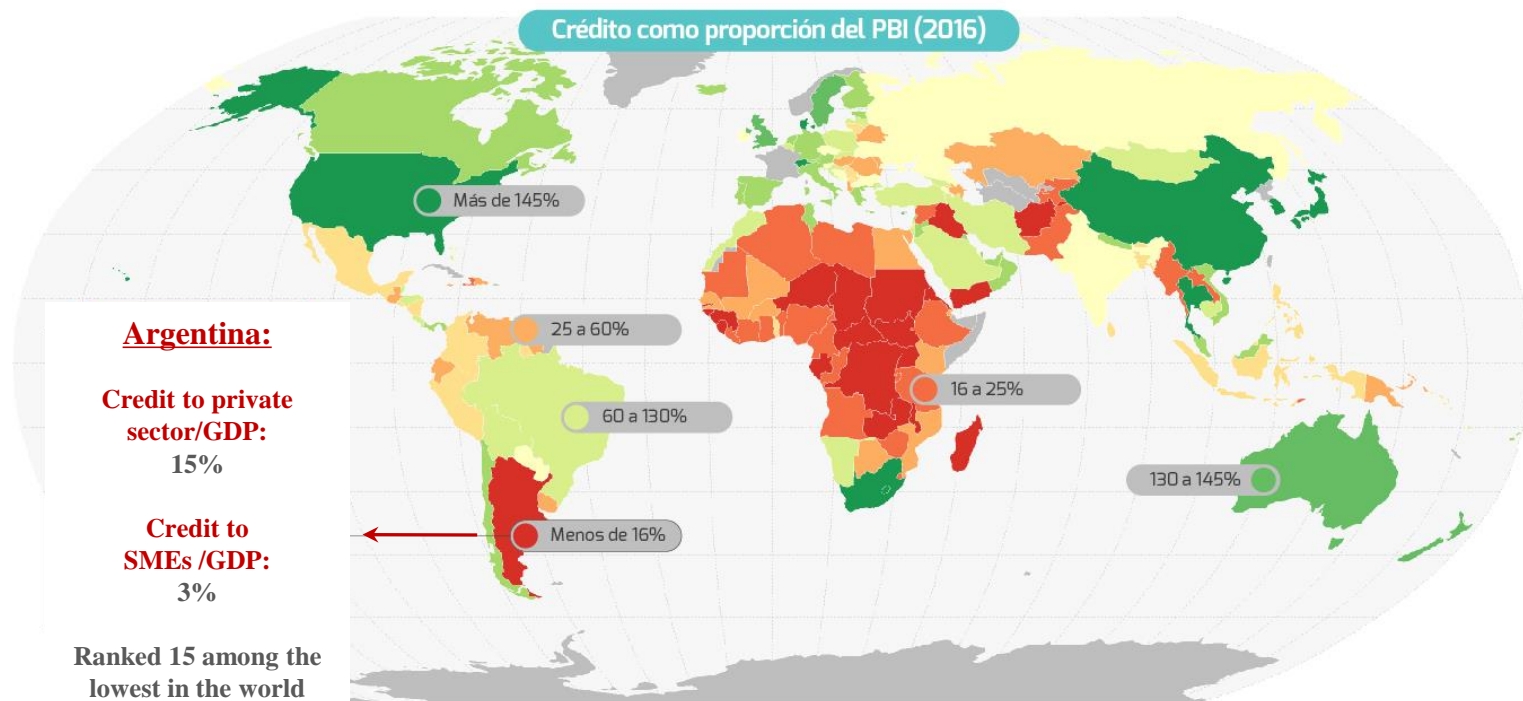
Fuente: CEU-UIA en base a datos de INDEC y BCRA.

*Todas las variaciones en % corresponden a las variaciones acumuladas entre mínimos y máximos relativos

... affecting the financial system

Credit to private sector/GDP

In %, 2016



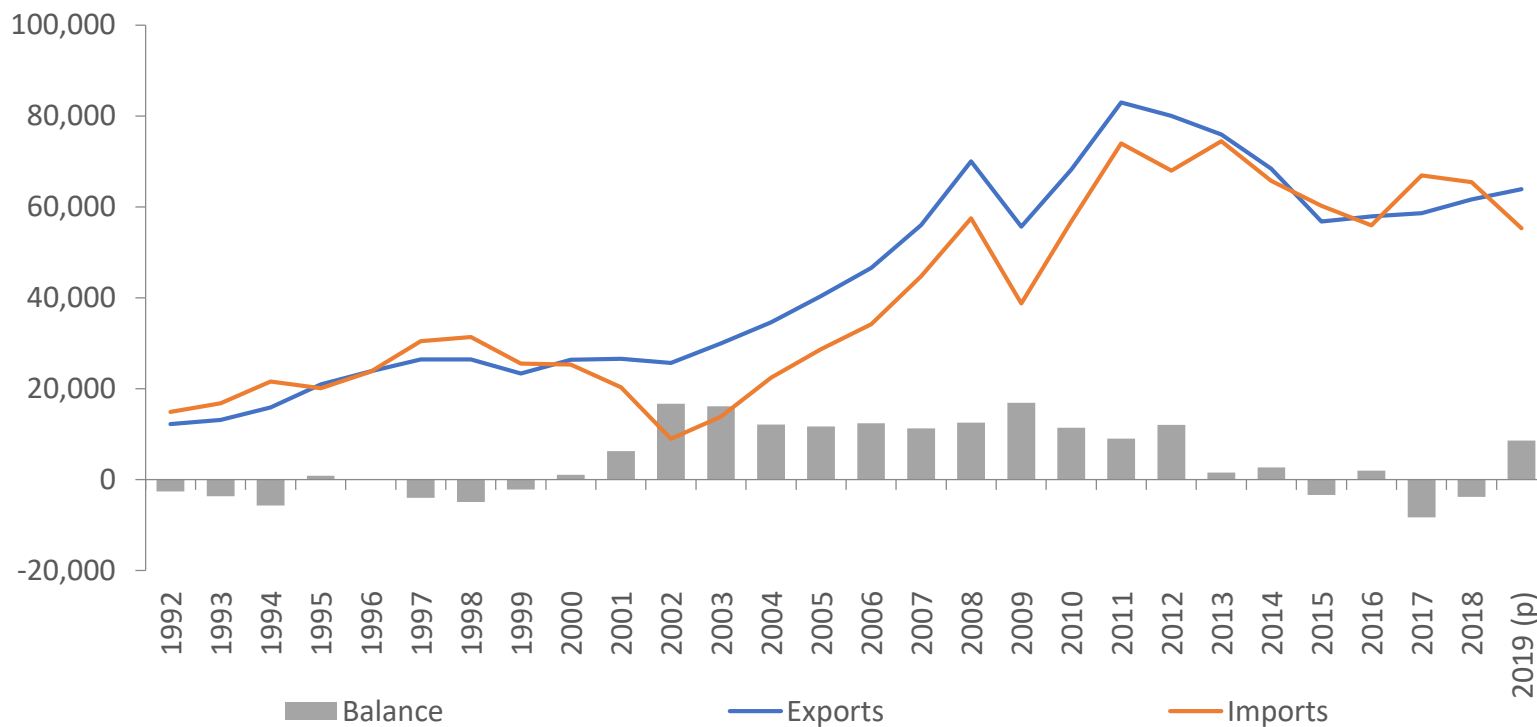
02

International Trade: evolution and SMEs

Trade volumes fell down in the last years

Argentine Foreign Trade

Millions of dollars

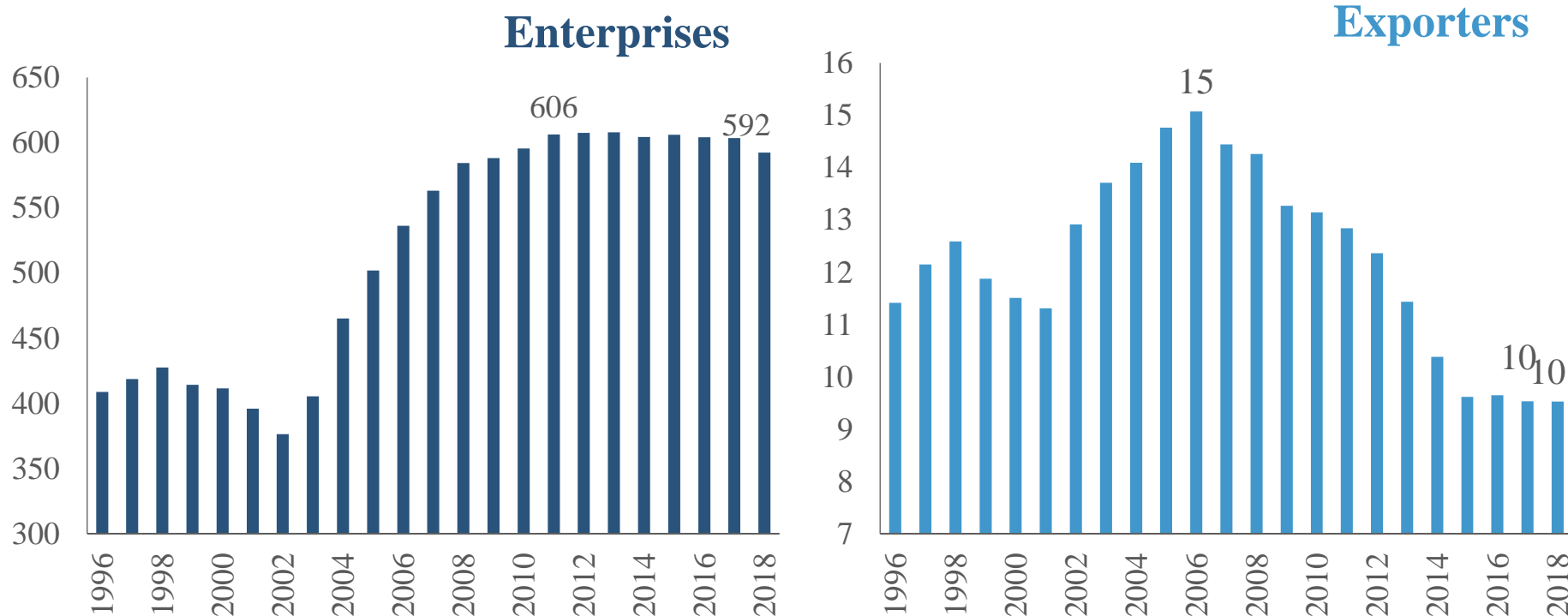


Source: INDEC

The universe of companies has stagnated, and the number of exporters has decreased

Evolution of the universe of companies and exporters

Thousands of enterprises

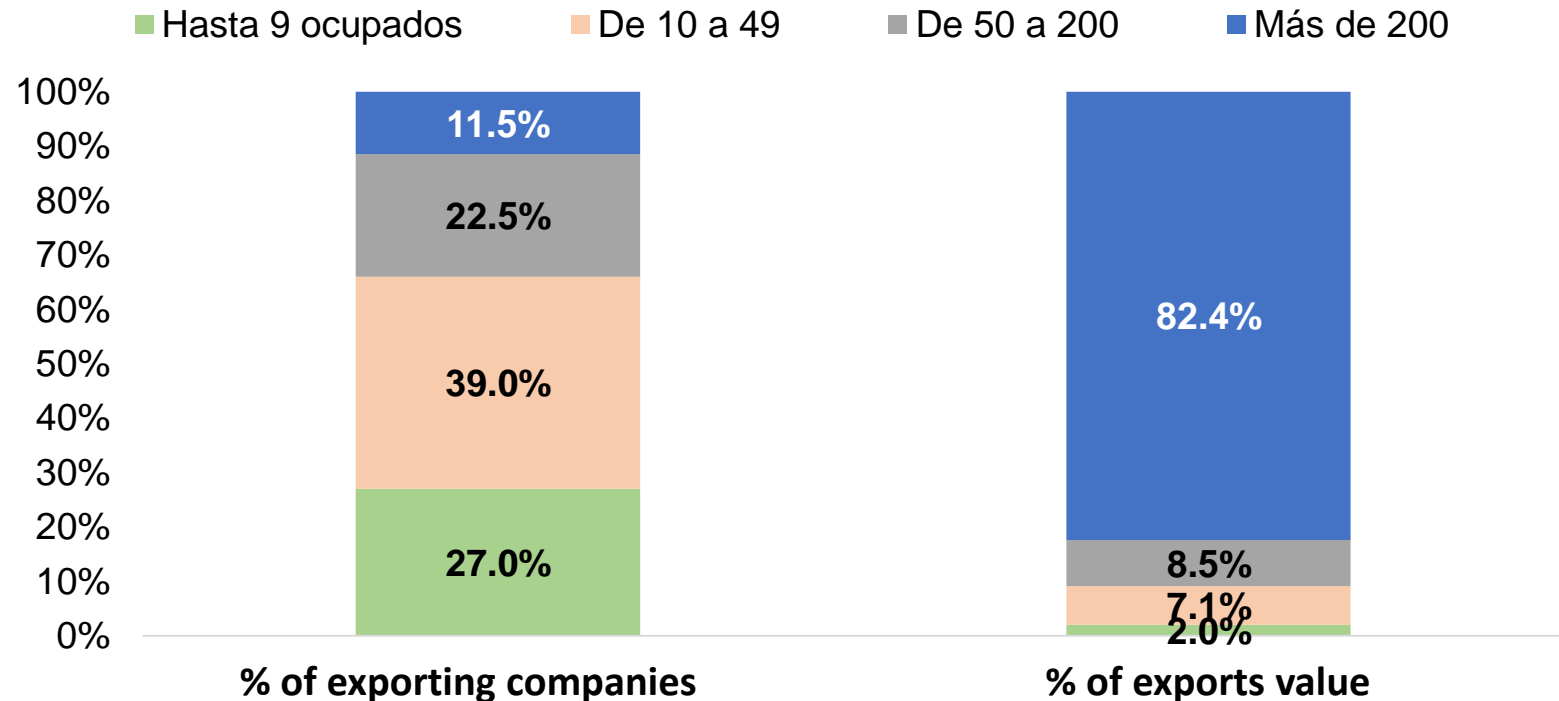


Source: CEU-UIA on OEDE and Ministry of Production.

Need to strengthen SMEs exports value

Waight if exporting companies according to their size

% of companies and of value of exports

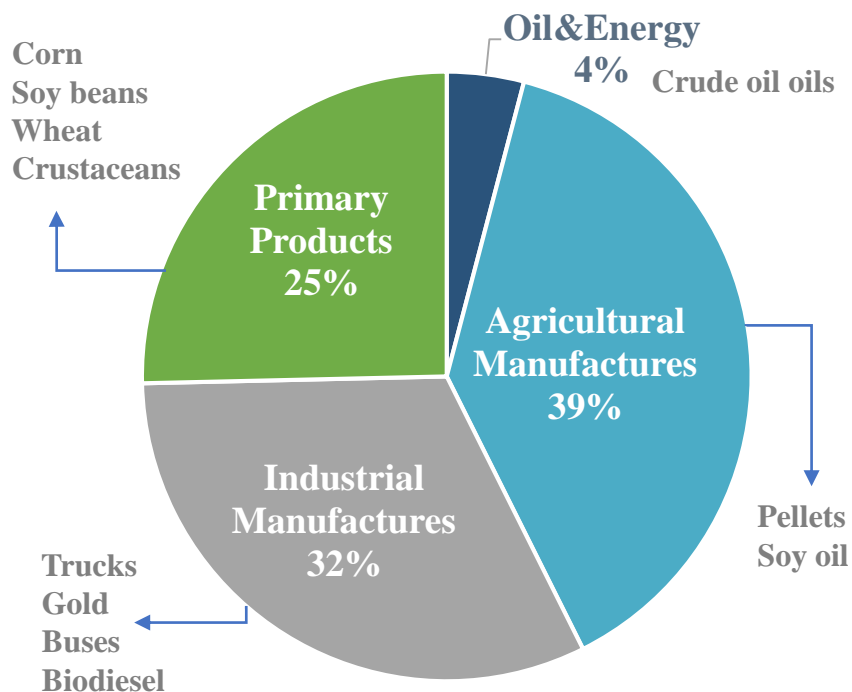


Argentine Exports & Imports

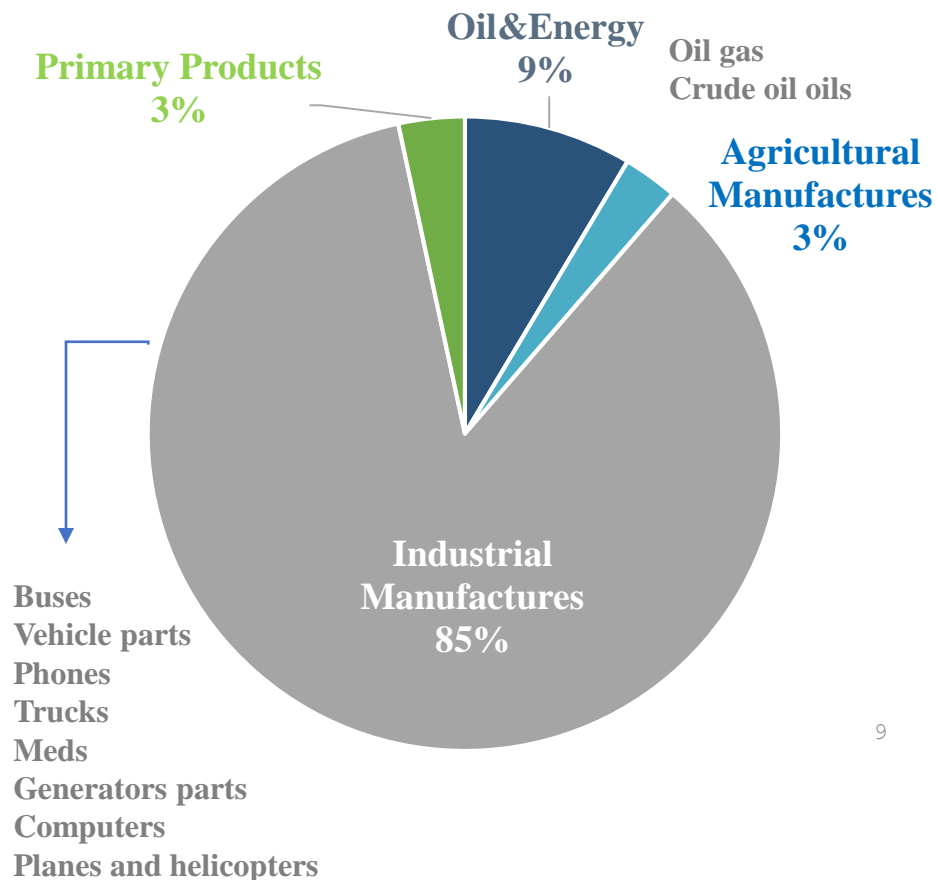
Argentine Trade Composition

2017

Exports
(as % of total)



Imports
(as % of total)



Source: INDEC

Argentina total exports to the world

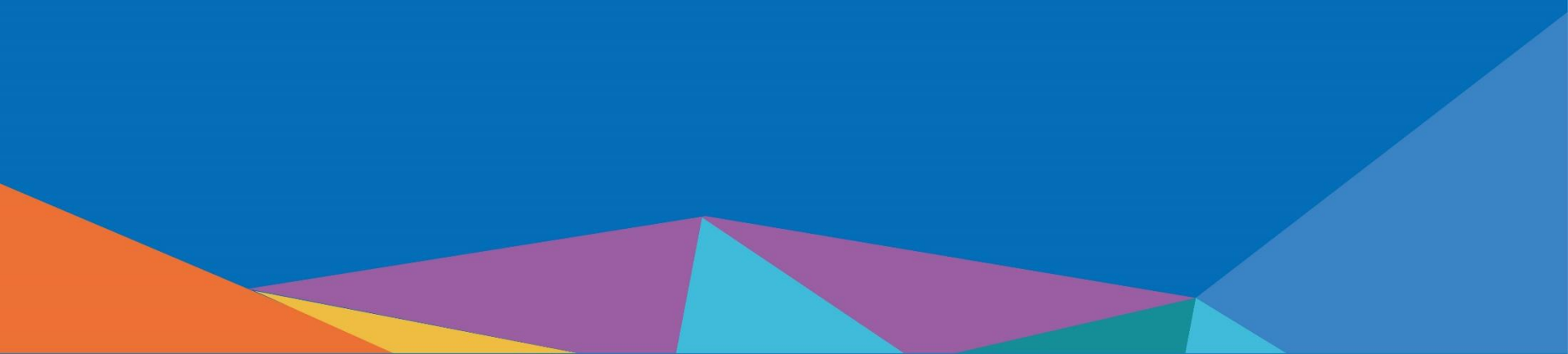
Destinations of Argentine exports

(in millions of USD)



03

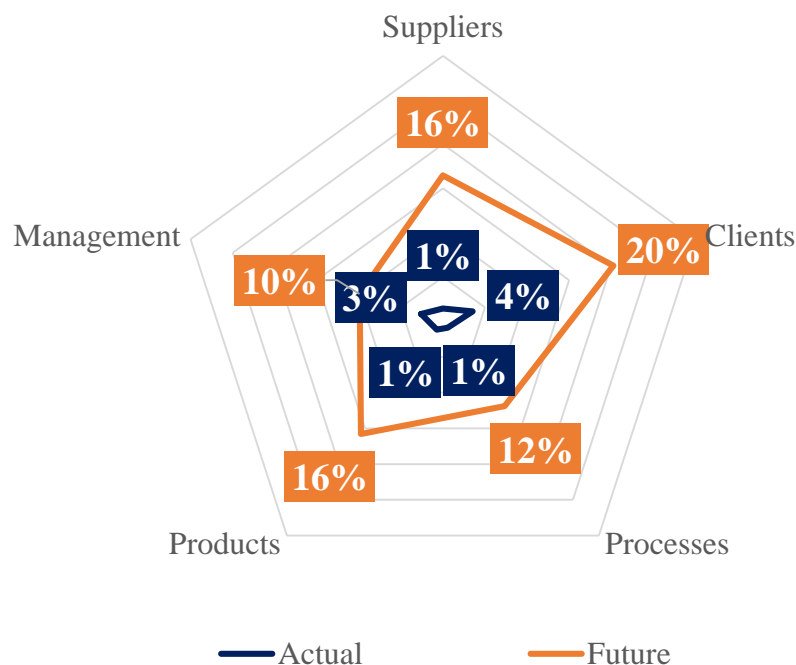
SMEs in the Fourth Industrial Revolution



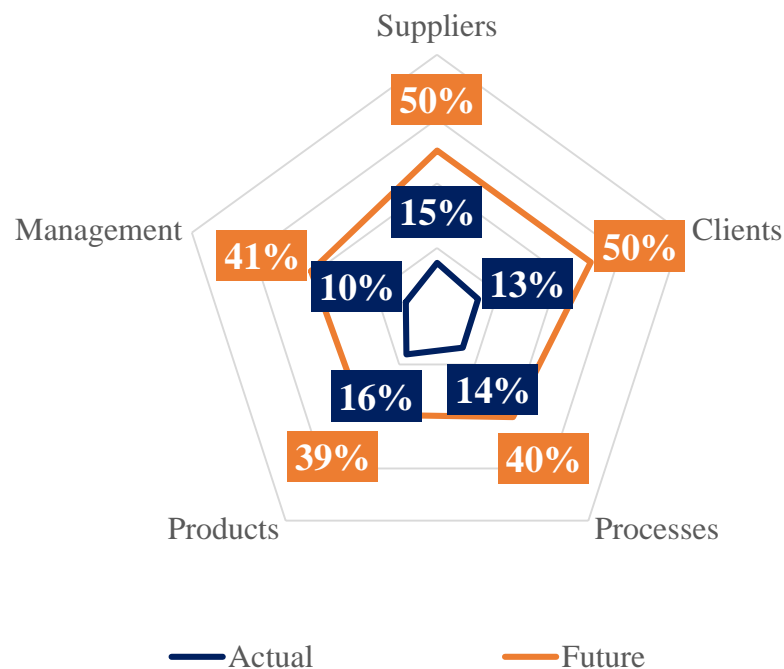
The process is underway

Important growth is expected in the use of new technologies, with a focus on extra-firm links

Use of Technologies 4.0



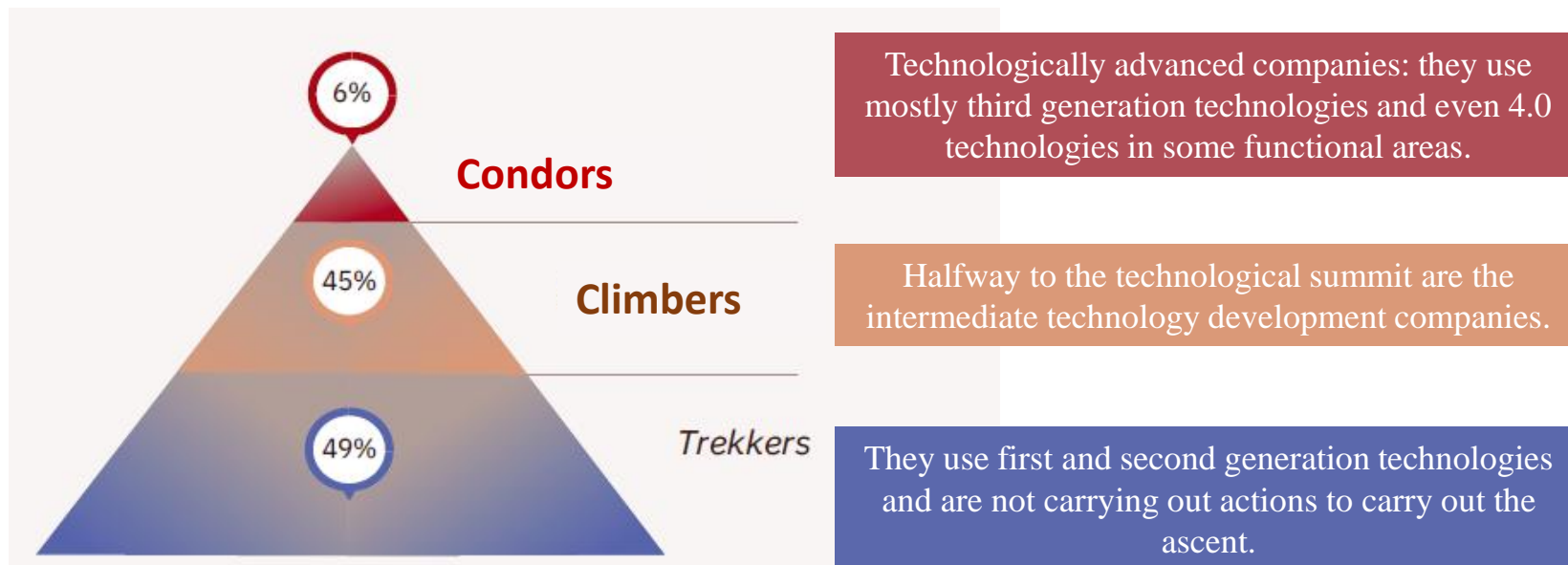
Use of Technologies 3 and 4.0



Typology of companies: 3 segments

45% of the companies are near the adoption of 4.0 technologies

However only 10% use 4.0 technology in one of the five areas analyzed

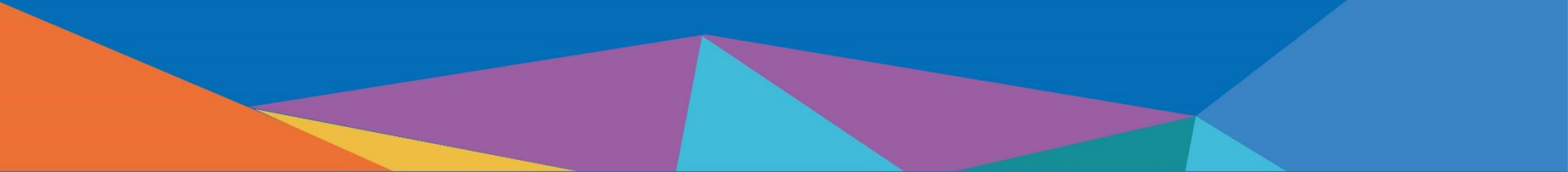


Company size and exporting capabilities drives technology adoption

	Condors	Climbers	Trekkers
% of the sample	6%	45%	49%
% of SMEs	70%	44%	15%
% of exporters enterprises	61%	45%	23%
% of companies who invest in R&D	56%	34%	16%
% of companies that increased their staffing by this process	62%	27%	13%

04

Conclusions



Diagnosis

- Argentina has a recurrent Current Account deficit that leads to external sector crisis
- Due to this, exchange rate is highly volatile, undermining predictability (inflation, relative prices, unstable rules and lack of long term contracts)
- In the end the country lacks a reliable currency, forces portfolio dollarization and accelerates the former problems
- As a result, financial markets tend to reduce its size, and increase operating costs

Public Policy: 4 main axis

- **Stabilize** the economy (macro) in order to walk to a development path
- Measures to **reduce operating costs and gain competitiveness** (tributary reform, export taxes, logistics, financing, etc.)
- Segmented policies to increase **productivity and new technologies adoption** (4.0 industry)
- **SMEs and regional** development