

# CANNING HOUSE



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HOUSE

Bringing Argentina and the  
UK closer

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## Executive summary

- Argentine-UK relations have suffered a long period of stagnation, but the advent of President Javier Milei in 2023 has caught the attention in the UK of both the political and business communities.
- Argentine governments before 2023 seem to have fallen into a debilitating stop-go economic cycle marked by recession, inflation, and recurring dollar shortages.
- By the time of the 2023 general election, inflation was 211%, the primary deficit was 2.4% of GDP, and the public-debt-to-GDP ratio was 156.6%.
- At the mid-point of his four-year term, Milei has made significant progress towards stabilising the economy, producing a primary budget surplus, and getting inflation down to 31%.
- Milei's La Libertad Avanza (LLA) party was rewarded for this progress with significant gains in the October mid-term elections.
- Although reforming Argentina's economy will be a task for more than a single presidential term, the economic and political successes of the Milei administration, combined with Argentina's increasing geopolitical importance and its endowment of natural resources, are feeding a growing sense of optimism.
- Argentina's natural resources include lithium, rare earth elements (REE), and shale oil. It is also a powerful force in world food production.
- It is clear that shifts in the global economy are creating new opportunities, and that many of these can be developed via Anglo-Argentine partnerships. Key areas of opportunity include agriculture, energy, mining and critical minerals, infrastructure, and in the food and drink industries.
- Overall, there is a sense that the balance in UK-Argentine relations is tipping towards opportunity and optimism. At the very least, there is no good reason why UK-Argentine trade should not advance from its current US\$2.2bn annual value to the levels achieved by Germany (US\$3.3bn), the Netherlands (US\$2.7bn), and Spain (US\$2.4bn).

## Recovering lost ground

The advent of President Javier Milei, who came to power in Argentina in 2023 and whose priorities include defeating inflation, reforming a political system he claims is corrupt, and reversing years of economic decline, has changed the way in which Argentina is viewed in the UK. Modern Argentina continues to be geopolitically important, and both are factors in a growing understanding of the opportunities for a rejuvenated UK-Argentina relationship, ending a long period of stagnation.

The comments made by the UK's Conservative Party leader, Kemi Badenoch, at the 13 November Canning House Argentina-UK Summit<sup>1</sup> provide a clear indication of how the advent of Milei is changing perceptions of Argentina within the UK. She praised Milei for his focus on the economy, his refusal to accept decline as inevitable, and his determination to take difficult decisions. And she praised, in particular, his belief that everything good flows from a sound economy.

Of course, not all commentary in the UK about Milei is as positive as that of the Conservative Party leader, and some question whether Milei's policies can generate growth as well as curb inflation. But regardless of uncertainties about the long-term effects of Milei's economic policies, it is clear that Argentina under Milei has Britain's attention, including that of the business community. This is an important change. While, in the nineteenth century, the UK was the world's economic powerhouse investing heavily in Argentina, in the 20th century, as the United States emerged as a global superpower, Argentina shifted its trade links towards the US, and simultaneously it witnessed a surge in domestic nationalist sentiment. Later in the century, the Falklands/Malvinas military conflict of the early 1980s dealt a further blow to relations between the UK and Argentina, and more than 40 years after the end of the fighting in the South Atlantic the dispute over the islands continues to play an inhibiting role.

The UK's departure from the European Union in 2020 and the Covid-19 pandemic in 2020-21 have added complications to the UK-Argentina relationship. On top of that there are ideological differences between the two countries' current governments.

UK's Prime Minister Keir Starmer took office in 2024, a year after Milei, and his Labour Party is expected to remain in power for five years until mid-2029. In contrast to Milei, Starmer is a man of the centre left, and since taking office Starmer and Milei have not held an official meeting, although they did exchange a few words at the G20 summit in Rio de Janeiro in November 2024. And while both have signalled a willingness to improve bilateral relations, the issue lies a long way down their respective political agendas.

As far as trade is concerned, Colin Lewis, a professor at LSE, notes: "The UK does not feature in the top 25 trading countries for Argentina...[Argentina] no longer has a special relationship with the UK. There is more trade, more investment, flowing from Spain and the Netherlands...than there is from the UK."<sup>2</sup> However, there is now genuine optimism that this long decline in UK-Argentina relations can be reversed.

<sup>1</sup> Sam Meadows and Tom Scotson. "Two to Tango: Can Milei Transform the UK's Relationship with Argentina?" PoliticsHome, February 22, 2024.

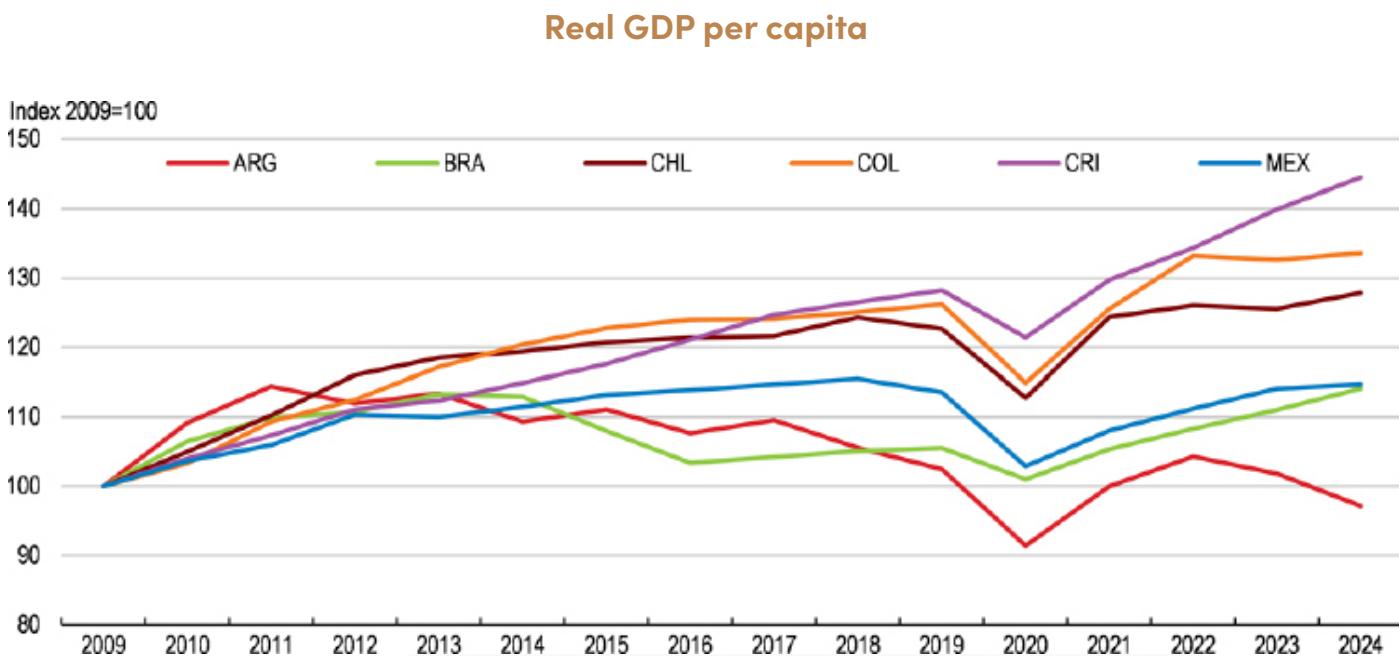


<sup>2</sup> Canning House. "The Rt Hon Kemi Badenoch MP Argentina-UK Summit Address." Canning Insights, November 13, 2025

## Domestic economics and politics

Despite its wealth of natural resources and attractive business opportunities, the performance of the Argentine economy over the last two decades has been well below its potential. The country has had a succession of alternating left-leaning and right-leaning governments. Those on the left, dominated by the Peronist movement (Partido Justicialista, PJ, and one of its factions, the *kirchneristas*), have

increased spending and state intervention in the economy. Those on the traditional right, led by Propuesta Republicana (PRO) and its allies, have sought to be more market-friendly, relaxing exchange-rate controls and encouraging new investment. Yet independent of ideology, Argentine governments before 2023 seem to have fallen into a debilitating stop-go economic cycle marked by recession, inflation, and recurring dollar shortages. This has undermined business confidence and stands as a barrier to significant improvement in Anglo-Argentine trade relations.



Source: Organisation for Economic Co-operation and Development. *OECD Economic Surveys: Argentina 2025*. OECD Publishing, 2025.

By the time of the 2023 general election campaign in Argentina the poor state of the economy, corruption, and crime were all dominating the public conversation. In that year, annual inflation reached 211% and the economy contracted by 1.6%. Living standards were hammered. The peso again depreciated on foreign currency markets. There was yet another primary fiscal deficit, at 2.4% of GDP, and the public-debt-to-GDP ratio stood at an unsustainable 156.6%. These turned out to be ideal conditions for an anti-system candidate like Milei to prosper. Consistent with his Chicago School economic theories, Milei has argued for smaller government, an issue on which he aligns with President Donald Trump and billionaire Elon Musk, who for a short period in 2025 ran the US

Department of Government Efficiency (DOGE). At public meetings, Musk enthusiastically adopted Milei's campaign symbol, brandishing a chainsaw, to represent the promise of wide-ranging government spending cuts.

Milei also condemned the existing political establishment (who he calls *la casta*) as liars and thieves. Some aspects of his campaign were idiosyncratic – such as his promise to dollarise the economy and shut down the Central Bank. But that didn't stop him from capturing the sense of widespread anger among voters, winning the presidency and securing significant congressional representation (but not a majority) for his newly created party, La Libertad Avanza (LLA).

At the mid-point of his four-year term (December 2025) the consensus is that Milei has made significant progress towards stabilising the economy, achieving a primary budget surplus (something that his predecessors promised but never achieved), and reducing Argentina's all-important monthly inflation number down to 31.3% (as of October 2025). This has been enough to ensure the support of his loyal political base and some swing voters.

But it is also true that Argentina remains a polarised society and that the public spending cuts and reforms of the weakened welfare state have alienated pensioners, teachers, university students, public sector workers, and many others.

Although there are some questions about the reliability of statistics (many Argentines work in the informal sector) there is general agreement that real wages dropped very sharply in the first six months of Milei's presidency. This was due to a combination of factors. A large peso devaluation in December 2023 pushed up import costs and eroded domestic purchasing power across the board. Sharp cuts in government spending, made to achieve a primary fiscal deficit, involved reducing real pay levels for public sector workers. Some economists have estimated that in Milei's first 50 days in office, real wages for formal workers fell by 18%. In late 2024 and throughout 2025, however, real wages stabilised and then began to grow, reflecting the fall in inflation and a gradual recovery in business confidence. Some reports suggest that by April 2025, private sector real wages had come back up to exceed their level in 2017. Nevertheless, wage stagnation continues to be a concern.

Milei has also made political miscalculations. A social conservative, his attempts to roll back abortion provision and legislation have not played well with the more liberal sectors of public opinion. Just ahead of mid-term elections in Buenos Aires province in September 2025, a major corruption scandal broke, involving illicit appropriation of budget funds from ANDI, the disability agency, and implicating the president's sister and two close allies. This may have contributed to the LLA's chastening defeat in the election, although it did recover strongly by the time of the wider 26 October polls (see below).

An OECD economic survey<sup>3</sup> of Argentina published in July 2025 acknowledges that Milei has made significant progress. It says his ambitious reform

programme is beginning to pay off and, if momentum is maintained, confidence, investment, and productivity will all improve. The survey says GDP will recover by 5.2% in 2025 and by 4.3% in 2026, after two years of recession. Inflation will come down again to 15% in 2026. The report praises the "unprecedented fiscal consolidation" that has been achieved but also highlights the long list of additional reforms that are still required.

It calls for a phasing-out of subsidies, improvements in public sector efficiency, elimination of tax inefficiencies and complexities, pension reform, action on infrastructure bottlenecks, and improved judicial procedures to make the country more efficient. The OECD says, "better regulations and lower trade barriers will strengthen competitive pressures and incentives for firms to operate more efficiently".

However, Milei's Argentina has had to make compromises over tariff policy. Milei has frequently argued the case for free trade over protectionism and has criticised his predecessors and Mercosur for applying excessive tariffs on imports. This goes against the spirit of Trump's reciprocal tariffs policy, which is explicitly protectionist, designed to protect US jobs, and openly used to gain political leverage. Many economists believe the reciprocal tariffs policy is likely to reduce, rather than increase, the global competitiveness of the US economy.

Milei adapted Argentina's tariff policies to accommodate Trump's position. In a speech in April 2025 delivered to the American Patriot's Gala at Trump's Mar-a-Lago resort in Florida, Milei said his government would "harmonise" its tariffs on 50 products to fit in with the US approach. Manuel Adorni, Milei's presidential spokesman said the Buenos Aires government "does not believe that [Trump's reciprocal tariffs] is an attack on free trade". He added "quite the contrary...we consider this a wonderful relationship that we have with the United States". Milei described the changes as a "step forward" towards an eventual free trade agreement with the US and a future in which "tariffs and trade barriers are just a bad memory of the past".<sup>4</sup> Such comments contrast with Trump's often stated view that tariffs "are the most beautiful word to me in the dictionary" and will be at the centre of a future reformed tax system.

<sup>4</sup> Buenos Aires Times. "Milei Says He Will Change Argentina's Laws to Mitigate Trump's Tariffs." Buenos Aires Times, October 12, 2025.

<sup>3</sup> OECD. Argentina Economic Snapshot. OECD, 2025.

Most of the Argentine business community has welcomed the radical reforms outlined by the new president, although there are some reservations, and the relationship has not been entirely friction free. Milei has, for example accused business leaders of being tainted by association with the corrupt political caste. Executives in turn think the president needs to do more to build a pro-reform coalition that stretches beyond his own party.

Broadly speaking, local business opinion welcomes Milei's promises: aggressive austerity to eliminate the government's primary fiscal deficit; deregulation and privatisation; gradual elimination of currency controls; and a core promise to bring down the inflation rate. Business leaders say that if these things are delivered Argentina will begin to recover long-lost macroeconomic stability with a positive impact on investor confidence, longer term efficiency gains, and rising international credibility, particularly with the IMF and credit rating agencies.

That said, there are concerns. Business leaders are wary of how some of the more radical ingredients of the Milei recipe, such as dollarisation and the elimination of the Central Bank, will work out (although the government has put them on the backburner for now). One of the major worries is whether the reforms, which in the initial phase have drastically lowered the purchasing power of vulnerable sectors of the population, will lead to a political backlash, labour unrest, and a deadlock in congress.

Also, SMEs employ over 60% of Argentina's formal work force, and they have struggled with price rises and may find it difficult to compete with cheaper foreign imports as Argentina opens up its economy.

In September 2025, Milei attended a meeting with 350 business leaders. Guido Sandleris, a member of the Buenos Aires stock exchange and former president of the Central Bank, said in a speech that the president should focus on three things. Number one was to regain the political initiative; number two was to maintain fiscal balance ("even if that implies negotiating" with lobby groups); and number three was to "find additional sources of dollars" for an economy starved of hard currency.

In political terms, the Milei administration faced a major double test in late 2025, the first part of which, the 7 September legislative elections in Argentina's most-populous province of Buenos

Aires, it failed. The LLA lost badly, and the markets reacted with dismay, with the peso plummeting, along with bonds and the Merval, the main index of the Buenos Aires stock exchange.

As pressure on the peso increased, the US stepped in to help the Milei government. On 22 September, US Treasury Secretary Scott Bessent described Argentina as a "systemically important US ally in Latin America", adding that the US Treasury "stands ready to do what is needed within its mandate to support Argentina". The next day, after Milei met Trump in New York on the sidelines of the annual UN General Assembly, Bessent announced a US\$20bn swap line to boost liquidity and buy Argentina bonds in the secondary market. An additional \$20bn, later scaled back to around \$5bn, would be financed by a mix of sovereign wealth funds and private banks. Bessent talked about the swap in the context of a "generational opportunity" for the US to create allies in Latin America, and he said it would counter "those who seek to destabilise Argentina's markets for political objectives".

However, it rapidly became clear that the money would come with strings. In public statements Trump said the offer was conditional on Milei winning the elections. As he put it "I'm with this man because I think his philosophy is correct. He may win or not win – I think he's going to win. And if he wins we're staying with him; if he doesn't win, we're gone."

Whether or not that statement had any effect on voting intentions, the LLA brought off a surprise victory on 26 October, garnering 40.66% of the votes, or 64 seats in the lower chamber of congress (51 on its own, 10 in alliance with the right-of-centre Propuesta Republicana [PRO]), and three with the centrist Unión Cívica Radical [UCR], compared with 31.7% or 47 seats for the opposition Peronist coalition. The result, which surpassed the most optimistic forecasts, brought the total strength of LLA in the 257-seat lower chamber to 80 of its own deputies with 13 elected allies, just behind the Peronists with 99 seats.

Even in the Peronist stronghold of Buenos Aires province, the LLA won with a marginal lead of half-a-percentage point, winning 17 seats to 16 for the Peronists, marking a major comeback from a 14-percentage-point defeat there on 7 September. The 26 October victory brought much-needed respite from street protests and jittery financial

markets, and the new constellation in congress could allow Milei to form a fragile but working coalition to approve select items of his reform agenda. But that will depend on how able and willing he is to negotiate and compromise, and Milei is not by nature a coalition builder. He has often gone out of his way to criticise and insult politicians from other political parties for being part of “the swamp” – an entrenched corrupt cabal. These are often the same politicians whose support the government needs to pass key economic reforms through the legislature. There is therefore an ongoing risk of political dysfunction.

Looking beyond the mid-terms, it is important to remember that reforming Argentina’s economy is unlikely to be a task for a single party or a single presidential term. It is possible that a wider pro-reform coalition will emerge over time and come into play in the 2027 presidential elections. However, Argentina’s centre right, once a very strong political force, has seen its position significantly weakened during 2025.

The leading party in this sector of the political spectrum has been PRO, which won the 2015 election as part of the Juntos por el Cambio (JxC) coalition. After the initial success of pro-market economic policies, President Mauricio Macri (2015–2019) fell victim to a recurring Argentine problem – repeated runs on the peso, rising inflation, and falling living standards. Macri secured a major IMF bailout, but the economy did not really improve. Deeply frustrated, in the 2019 election the voters gave Macri the thumbs-down and turned instead to a centre-left Peronist alternative, Alberto Fernández (2019–2023). Fernández changed tack to what could be called tax-and-spend policies. These too failed to improve the economy. As a result, in 2023 the voters opted for a radical outsider candidate in Javier Milei with his promises of deep reforms and an attack on the “political caste”.

Milei’s LLA and Macri’s PRO formed a post-election coalition, enabling (but not guaranteeing) the passage of some key economic reforms. However, relations between the two parties have been tense. The PRO’s 2023 presidential candidate, Patricia Bullrich, who served as security minister under Macri and later under Milei, has left the PRO to join the LLA and is now the National Senator for the city of Buenos Aires.

In the May 2025 elections in the city of Buenos Aires, long considered a PRO stronghold, the party’s candidate secured only 15.9% of the vote, roughly half the 30.1% secured by the LLA. There were further signs of the PRO being squeezed in the Buenos Aires provincial elections on 7 September. Ahead of the elections the parties agreed to form a coalition but the LLA+PRO list of joint candidates was heavily weighted to favour LLA.

The future of the centre right is something of an open question in Argentina. According to conventional wisdom, following his successes in the 26 October mid-terms, Milei now stands a chance of building the LLA as the main force on the right of the political spectrum, perhaps over the next decade. However, in an alternative scenario, Argentina’s political pendulum may begin to swing back to the centre left.



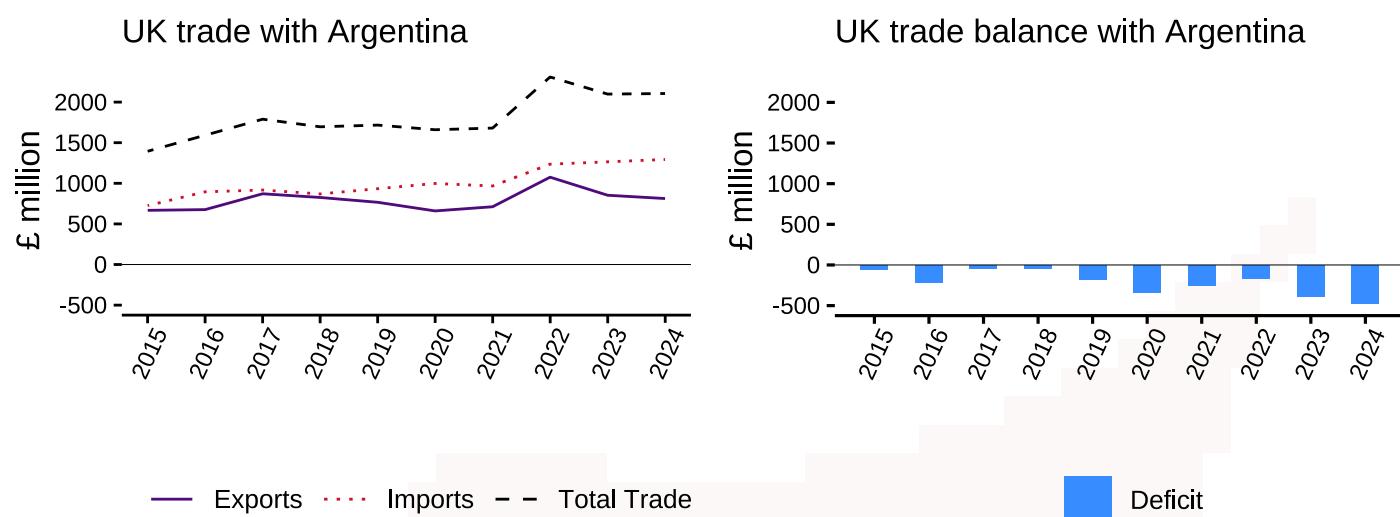
# The trade and investment perspective

Anglo-Argentine trade has been growing in recent years but remains relatively small in the context of the two countries' global commercial transactions.

In the year to end March 2025 total bilateral trade was up by 10.2% to reach £2.2bn. UK exports to Argentina dropped 4.0% to reach £810m while UK imports from Argentina were up by 20.6% to £1.4bn. The main UK exports to Argentina are medicinal

and pharmaceutical products, power generators, non-ferrous metals, industrial machinery, and beverages and tobacco. The main UK imports from Argentina are animal feed, beverages and tobacco, oilseeds, and vegetable & fruit. The UK market share as a percentage of all goods and services imported by Argentina was 1.1%. Argentina was the UK's 66th largest trading partner by value. The stock of UK foreign direct investment (FDI) in Argentina was £3bn in 2023. By contrast, the stock of Argentinian FDI in the UK was only £32m.

## Time Series of UK–Argentina Trade, 2015–2024



Source: ONS, UK trade in goods and services, Q2 2025

There are over 200 British companies active in Argentina. The list includes many household names such as Shell (energy), Unilever (consumer goods), and Diageo (beverages), and some major UK investment decisions have been made in recent years. For instance, in December 2024 Rio Tinto announced a US\$2.5bn project to boost capacity at its Rincón lithium mine in Salta province by a multiple of 20 to 60,000 tons/year (becoming the first mining venture approved under the government's RIGI - Large Investment Incentive Regime). And in May 2025, Harbour Energy made a final decision to invest, through a 15% interest in Southern Energy, in an initiative to process and export natural gas from the Vaca Muerta shale deposit, also taking advantage of the RIGI incentives.

In an interview with BNAméricas in September 2025, UK trade minister Chris Bryant pointed to the importance of the financial sector, noting in particular the launch of Argentina's open finance framework, which Bryant pointed out "draws heavily from the UK's open banking experience [and] is a strong example of what we can achieve when we share technical knowledge". He added that British regulators had played a role in this, "creating new opportunities for UK businesses".

As one example, the minister pointed to the example of Revolut, saying "the company is expanding in Argentina and has just acquired Banco Cetelem to scale its full range of banking services". He added: "Argentina's fintech ecosystem is growing fast, with nearly 400 companies, and digital payments

expected to reach nearly US\$78bn this year. The UK has both the expertise and interest to work with Argentina in this space and to contribute to this growth...[C]lean energy and natural resources are also key areas. We've seen British companies engage with Argentina's energy transition, including through investment and partnerships, and we're committed to strengthening that cooperation further."

On the other hand, in 2018 Shell sold its downstream businesses (fuel retail, refining, distribution) to Raizen for US\$916m suggesting it wanted to focus on core upstream activity and step away from downstream risks (currency and regulatory risks, fiscal instability, and price controls). Shell retains an important upstream presence in the development of the Vaca Muerta shale oil and gas deposits.

In another big move in 2024 UK banking group HSBC sold its Argentine banking, asset management, and insurance operations to Grupo Financiero Galicia for US\$550m, implying that the UK-based company was finding the Argentine retail banking sector too volatile at a time of high inflation. Analysis of other UK companies suggests they too believe inflation, abrupt currency devaluations, and high taxes have made for a highly uncertain and difficult operating environment in Argentina. Companies which can absorb or hedge these risks tend to do better.

UK companies with strong global brands and diversified portfolios tend to be more resilient, and some multinationals have also seen a strategic advantage in working through subsidiaries, joint ventures, or licensing deals as a way of limiting Argentine risks. They also protect profitability by focusing on niche markets: an example is Tate & Lyle which supplies speciality ingredients such as food sweeteners and stabilisers to local food processors. Associated British Foods/AB Mauri also provides ingredients for local bakery markets which benefit from more stable patterns of demand. BT Group is operating in Argentina as a business-to-business (b2b) provider of telecom, IT, and cloud-based services to large local corporates. Other UK IT firms such as Micro Focus, Sage, and Computacenter have adopted a similar model.

Although UK retailer Marks & Spencer has chosen not to build a network of branded stores, it is focusing

instead on partnership and local agreements with existing food distribution channels. It is also involved in exporting Argentine wine to the UK, which is one of the largest buyers of Argentine Malbec (the UK recently granted protected status to five Argentine wines under the Traditional Terms scheme, the first such recognition issued since leaving the EU).

The level of investment from Argentina in the UK (£32m) is considerably less than from the UK to Argentina (£32bn), but there are signs of increasing activity. For instance, Globant (an international software development company) announced in September 2021 a £65m investment plan for the UK, expanding its London office and adding 600 jobs to the 200 already employed in the UK.

## Argentina's geopolitical importance

Argentina has an extensive South Atlantic coastline, which serves as an important marine route connecting the Atlantic, Indian, and Pacific Oceans through Cape Horn and the Magellan Straits. Traffic through the straits, an interoceanic alternative long way round to the Panama Canal, has increased in recent years. US President Donald Trump's continuing interest in annexing Greenland, Canada, and the Panama Canal reflect underlying concerns over security in the US sphere of influence in the Western Hemisphere.

The South Atlantic has considerable resources, and if the UK wishes to engage in the development of these resources, it benefits to engage with Argentina, which in turn means finding a way to look beyond the Falklands/Malvinas dispute, even though it has ruled out concessions on sovereignty. Oil and gas exploration continues, and South Atlantic fishing is extensive with an active Chinese presence. There is also growing interest in the potential for exploitation of seabed resources. Argentina's location serves as an access route to Antarctica which could, depending on future treaty renegotiation, open that continent to increased scientific activity and even mining. Russia and China operate 15 bases in Antarctica and their intentions in the region are closely watched.

Argentina has extensive natural resources, sharing the 'lithium triangle' with Bolivia and Chile. This is one of the world's largest known deposits of the metal which is used for the batteries of electric vehicles (EVs) and other low-pollution equipment. In addition, Argentina is home to the Vaca Muerta shale oil and gas deposits in Patagonia, an unconventional source, making it the fourth largest country in the world by known shale oil and gas reserves (after the US, Russia, and China). It is also well-positioned to export natural gas to Europe by pipeline and LNG tankers, and to attract investment in green hydrogen and other renewables.

Argentina has potentially significant rare earth elements (REE) deposits particularly in the provinces of Salta, Jujuy, Córdoba, San Luis, and San Juan. The deposits are geologically diverse and not dominated by any single mineral. The industry is at a pre-commercial stage, both in terms of mining and in chemical processing. Early geological surveys suggest known reserves range in the hundred-thousands of tons. Looking to the future, Argentina may acquire significant strategic leverage in REEs since growing demand for rare earths in the global energy transition and defence sectors will, for the US and its Western allies, place a premium on the development of non-China supply sources.

China currently controls around 90% of global REE production with the United States urging a big catch-up in investment and production to gain market share. For Argentina to benefit, the country will need to show it can attract foreign investment to explore and to build the necessary mines and processing hubs. It will also need to offer a favourable regulatory framework and integrate provincial and federal permitting processes.

For decades, the country has also been a powerful force in world food markets, particularly as an exporter of soya, maize, beef, and wine. World food demand is set to grow, with Argentina in line to benefit (although competition with US producers has caused bilateral tensions).

The Argentine government plays an important role in regional political alignments. Although the long-standing Mercosur trade block (formed by Argentina, Brazil, Uruguay, and Paraguay) continues to struggle with internal disagreements over trade and tariff policy issues, it provides a valuable

mechanism for foreign policy coordination and cooperation. The Mercosur-European Union (EU) free trade agreement (FTA), although now referred to the European Court of Justice for review, could eventually provide a much-needed improvement in regional competitiveness. Historical South American rivalry between Argentina and Brazil has given way to a more nuanced relationship.

The country is also caught up in the evolving global superpower competition between the US and China. Argentina and China have had diplomatic relations since 1972, and China is now Argentina's second largest global trade partner after Brazil, with the US usually coming third. China is a major buyer of Argentine soya. Argentina has joined China's Belt and Road initiative (BRI). Beijing has taken part



in major infrastructure projects in hydro-energy, railways, solar power, and nuclear power (via the Hualong One Reactor). Under a concession from the Argentine government, China has built the Deep Space Observatory in Neuquén province, which is operated by China Satellite Launch and Tracking Control General (CLTC). In 2024 the two countries celebrated the tenth year of their Comprehensive Strategic Partnership.

China has also provided a US\$5bn-plus yuan currency swap to help Argentina deal with currency instability. China's President Xi Jinping has said that his country "is ready to continue financing cooperation with Argentina and help Argentina maintain economic and financial stability". Argentina's President Milei, known for his anti-China, anti-communist statements during the 2023 election campaign, has adopted a more pragmatic approach in office, describing China as an "interesting commercial partner".

Since 1972 the pattern has been for governments based on Peronist party alliances to pursue closer relationships with China, while centre-right governments have initially sought to roll back Chinese influence on political grounds but have ended up defending the relationship because of its economic value to Argentina. At a time of super-power rivalry and trade wars, President Milei will have to maintain a delicate balance between Xi Jinping and Donald Trump. The relationship with Washington will be paramount, given Milei's own political positioning, but he will still try and get the best deal possible out of China.

As Argentina addresses its developing strategic demands, there is a growing understanding that its armed forces require equipment upgrades and a programme of general modernisation, and this is another area that could impact on UK-Argentina relations.

Milei has signalled that he intends to raise Argentina's defence spending over seven years from 0.5% to 2.0% of GDP. Hitherto, the UK has blocked the sale of any military equipment to Argentina containing British-made components. In 2020 for example the sale of South Korean fighter jets was blocked because they contained British-made components. However, in July of this year *The Economist*<sup>5</sup> reported

<sup>5</sup> The Economist. "Inside the Secret Military Dialogue between Britain and Argentina." July 6, 2025.

that the two governments and their military officers had initiated discrete negotiations on new defence arrangements. In broad terms the UK would relax controls on military equipment sales to Argentina, while the Argentine authorities would recognise a British presence in the South Atlantic; there would also be cooperation on fisheries, humanitarian visits to the tombs of Argentine war dead, and a resumption of direct commercial flights between the islands and the mainland.

Such a diplomatic reset would be encouraged by the United States. *The Economist* cited a US source describing Argentina as a "huge partner" with armed forces "in sore need of equipment and training". The US is thought to be particularly concerned to ensure that any re-equipment programme should involve Western and not Chinese-made weaponry. The left-leaning government of Milei's predecessor, Alberto Fernández (2019–2023), had considered buying Chinese-made fighters; it also signed a military training agreement with Russia.

From an early stage in his presidency Milei aligned himself with President Trump's Make America Great Again (MAGA) agenda, even adapting the slogan for Argentina. The new administration pledged it would pursue a close alliance with the United States and Israel. It turned down an invitation to join the BRICS group of emerging global south countries, proclaiming as an alternative its petition to join the OECD. Like the US, and citing "fundamental differences" over policy, Argentina announced it would be leaving the World Health Organisation (WHO).<sup>6</sup> The new government quickly severed relations with authoritarian leftist governments in Cuba, Venezuela, and Nicaragua while also clashing with the leaders of democratic centre-left governments in Chile, Spain, and Colombia.

Milei has also joined Trump's proposed Board of Peace and closely followed the US lead on Gaza, visiting Israel several times although this is in part because of Argentina's own large Jewish population. His government has declared Hamas to be an international terrorist organisation and condemned its 7 October 2023 military attack on Israeli civilians and the taking of hostages. It has also announced plans to move the Argentine embassy from Tel

<sup>6</sup> Associated Press. "Argentina Says It Will Withdraw from the World Health Organization, Echoing Trump." AP News, February 5, 2025.

Aviv to the contested city of Jerusalem. Milei has condemned Hamas violence as “a crime against humanity”. He has avoided criticising Israeli military operations and the bombing of civilians. There have been unconfirmed reports that an official visit by Benjamin Netanyahu to Argentina is being planned.

This is an area of difference with the UK, where Prime Minister Keir Starmer, while condemning the 7 October attacks, has been outspoken in his condemnation of humanitarian suffering in Gaza, including the starvation of Palestinians, violence by Israeli settler groups, and “disproportionate military escalation” by Israel. Along with some other European leaders Starmer’s government has formally recognised a Palestinian state hoping that way to bring the parties to seek a negotiated solution. In the current climate an official visit by Netanyahu to the UK, or by Starmer to Israel, is widely seen as not politically viable.

On Ukraine, while the UK government has condemned the Russian invasion, and Milei’s Argentina has done the same, it has done so more cautiously. Prime Minister Starmer has described the Russian invasion as being unprovoked and illegal; the UK has provided weaponry to support the Ukrainian war effort, and alongside other European leaders has played a prominent role in diplomatic efforts with the US to achieve a cease-fire. The Argentine government has affirmed the importance of sovereignty and peaceful resolution of disputes. In contrast to the UK, however, it has ruled out sending any weapons or military aid to Ukraine. Also unlike the UK, US, and several European countries, Argentina is against the use of economic sanctions against Russia. In February this year Argentina abstained from supporting a UN resolution condemning Russia on the third anniversary of the invasion. This diplomatic stance may reflect Milei’s wish to protect existing Argentina-Russia bilateral trade as well as Argentina’s geographic distance from Ukraine.

Interestingly, both Milei and Starmer have gained endorsements from President Trump and have developed a good working relationship with him. Starmer for example has managed to secure special treatment – a 10% tariff on British goods entering the US, while the rest of Europe is paying around 15%. Milei has also secured a 10% rate.

## Conclusion

There is no doubt that Argentina under Milei has caught the attention of the UK, and this has come at a time when Argentina’s geopolitical importance is increasing and shifts in the global economy are creating new opportunities, many of which can be developed via Anglo-Argentinian partnerships, thus providing major areas of potential for UK companies in Argentina.

In the short term, the difference in the ideological outlooks of Prime Minister Starmer and President Milei is perhaps less of a problem than might initially appear. Both believe in free trade, and both are at a stage in their governments when they have suffered some setbacks to their initial vision and are under pressure to ramp up economic growth and job creation. Ambitious business deals by UK companies in Argentina are therefore likely to attract the support of both governments. However, it has to be recognised that a real long-lasting advance is unlikely to happen without further progress in a number of areas.

The Falklands/Malvinas sovereignty dispute, for instance, while not an outright impediment to trade and investment, is an inhibitor, and it is unlikely to be resolved in the immediate future. However, it may be possible to devise approaches to parking the dispute in a way which allows meaningful investment guarantees and mutually beneficial economic collaboration over the medium term.

Argentina’s long-running economic malaise, involving cycles of hyperinflation, recession, foreign currency shortages, debt rescheduling, and political uncertainty, also inhibits bilateral trade with the UK. Milei has made a strongly positive impression by eliminating the primary fiscal deficit and reducing inflation, but British companies – as well as those from other countries – will want to see sustained improvement in the Argentine macro-economic environment, stretching beyond the once-every-two-years cycle of congressional elections and the once-every-four-years cycle of presidential elections. For the advances to be sustained most probably requires building a cross-party, pro-reform, alliance and that is something which at best is work in progress.

An important positive is that shifts in the global economy are creating new opportunities, many of which can be developed via Anglo-Argentine partnerships. Agriculture, for example, requires tools, technology, and services to increase yields and competitiveness. UK companies and brands have a good reputation in the country. Niche, high value, and technology-based products are well placed to expand.

Energy, particularly upstream oil and gas connected to the Vaca Muerta shale fields, is another area of opportunity. Argentina also has renewable energy targets that UK companies can help to meet. There are big opportunities for companies offering specialist services in environment, health and safety, consultancy, and drilling services.

In mining and critical minerals, the country is a major player in the lithium sector, it also has potential in rare earth minerals. UK mining suppliers of specialised machinery, processing chemicals, engineering, and consultancy have good prospects. Argentina is also seeking to modernise and develop roads, railways, airports, and ports, providing opportunities in areas such as signalling equipment, electrification, track works, and public-private projects. Then there are the ICT, security, and cyber-technology opportunities. The country has a strong presence in mobile communications, software services, and cyber-security, presenting UK niche tech firms with possible deals. Finally, both countries have strong food and drink industries offering good opportunities for deepening mutually beneficial collaboration.

Looking ahead, while serious challenges to the UK-Argentina relationship remain, there is a sense that the balance is tipping towards opportunity and optimism. At the very least there would appear to be no insurmountable impediments for the UK to push up the US\$2.2bn value of its trade with Argentina beyond the current levels recorded by Germany (US\$3.3bn), the Netherlands (US\$2.7bn), or Spain (US\$2.4bn). Beyond that, sustained progress is likely to depend on the enthusiasm with which UK companies seize the developing opportunities in Argentina, which, in turn, may well depend on the degree to which Argentina can sustain its current economic advances through multiple political cycles.

