Argentina launches new import license

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The announcement by the Argentine government of the new import license — which covers all countries and products —fell like a bucket of cold water on many Brazilian exporters, who had found it hard enough in 2011 to get their products across the border. Sandro Jaenisch, partner in the Antunes and Machado Assessoria customs clearance company in Uruguaiana, Rio Grande do Sul state, says that low demand for its services so far this year reflects the expectation of how the licenses will affect exports. "Customers are on hold, searching for information about what actually will happen," he says. According to Jaenisch, whose business represents 180 Brazilian and Argentinean companies dealing with machinery, textiles, and footwear, the bureaucracy and the time it takes to release goods were already far from ideal in 2011: "In the vehicle sector, for example, while an Argentine product was released in 5 days to enter Brazil, [getting the Brazilian product cleared] took over 60."

The shoe industry was one of the sectors that suffered most. A survey by the Brazilian Association of Footwear Industries (Abicalçados) at the end of January found that 2.4 million pairs of shoes were waiting for clearance to enter Argentina, some shipments being more than 180 days late. "We have not had a discussion between the chambers of commerce on the new Argentine government licensing requirements, but we are very concerned," said an Abicalçados spokesman. Last year, the industry was already held back by a voluntary agreement to restrict shipments to 15 million pairs of shoes, compared with Brazil's export potential of 21 million. Argentina agreed that 5% of its shoe imports would come from Mercosur.

Brazil's production increased, "but we only managed to export 13 million pairs and there was no restraint on imports from Asian countries as agreed; at certain times the rate of imports from outside Mercosur exceeded 40%," Abicalçados stated.

For the industry, delayed clearance of goods means a significant loss, since the sale of shoes is directly related to fashion trends and seasons; sales peaks are often related to specific dates, such as Mother's Day (in October) and Christmas. "The importer loses much, because after investing in TV

publicity and promotional campaigns the product does not reach the store," Abicalçados stated.

Robson Cardoso, commercial director of Jacto, a manufacturer of agricultural machinery, underscores highlights the impact. The company supplies 13% of the Argentine market for sprayers, but the import of spare parts is restricted. This is very difficult for the farmer "because that undermines the proper maintenance of his equipment," Cardoso says. After 60 years of his company serving the Argentine market, however, he is aware that selling to Argentina always implies ups and downs, like a roller coaster. "We passed through the devaluation of the peso, the change of an exchange rate peg to a floating exchange rate. We have suffered from the imbalance between the real and peso, and the effects of non-tariff barriers," he recalls, "so we know we should negotiate and seek an understanding." He notes that the Jacto subsidiary in Argentina is already in contact with local authorities to speed compliance with the new requirements.

Paulo Skaf, president of the Federation of Industries of São Paulo (Fiesp), advocates a similar path of negotiation. At a news conference in late January Skaf said Fiesp's technical team is studying alternatives to present to Argentine authorities. "For example, Argentina has idle capacity in the naval sector, while our shipyards are fully booked for the next 10 years. It would not be a sacrifice to ask Argentina to manufacture ships, considering them as a Brazilian product," he suggested, "in exchange for their taking better care of our issues, such as manufacturing exports."

Skaf is aware that the Kirchner government wants to ensure a trade surplus in 2012 that is about the same as 2011's US$11 billion because Argentina is having trouble getting dollars, but he warns the context is not favorable: there is high demand for energy imports due to drought on the one hand, and an expected drop in international prices of Argentine agricultural commodities on the other. "Meanwhile, in tune with the Brazilian government, we seek creative and friendly alternatives that penalize neither Brazilian exporters nor Argentine consumers," he says. "After all, shortages could lead to inflationary pressures that would also undermine the Argentine economy."