Ten years after the political, economic, and social crisis of December 2001, the Economic Commission for Latin America and the Caribbean (ECLAC) says that Argentina is registering the highest rate of economic growth in South America, 8%.

According to official figures Argentina has averaged annual growth of 7.5% for almost eight consecutive years. The expansion began in 2003, when Nestor Kirchner became president (2003-2007). After a fall in 2009, the economy resumed growth in the last two years. For 2012 the government expects 5% growth. “We will continue growing at Chinese rates,” said President Cristina Kirchner, who was re-elected in October with 54% of the vote. But at the same time many Argentinians were

Argentina raises new barriers to Brazilian imports

A new licensing law exacerbates the clash between the Kirchner administration and the country’s main businesses, especially those that need imported parts for production. And Argentina’s unpredictable policies are causing major losses for Brazilian exporters.
Trade between Brazil and Argentina set a new record in 2011, reaching nearly US$40 billion. But 2012 began with great uncertainty for Argentine importers and Brazilian exporters. In January Cristina Kirchner’s administration imposed new import licensing rules that could affect Argentina’s imports from Brazil, its main trading partner. Much of Argentina’s industry depends on inputs from Brazil.

According to Argentine economic analysts, the reason for the new rules is that the government hopes to reduce its trade deficit with Brazil and to increase its global trade surplus. Officially that trade deficit with Brazil is estimated to have been US$4.2 billion in 2011, but private analysis using official trade data put it above US$5 billion. “Argentina’s deficit with Brazil is here to stay,” says Mauricio Claveri, an economist with the Abeceb consultancy in Buenos Aires. “The government’s measures in the area of imports will not solve the problem.”

The Institute for Social Development of Argentina (IDESA) issued a statement saying, “This new measure confirms that the government has a short-term policy, which ends up being harmful to the Argentine economy.”

Marcia Carmo, Buenos Aires

“This new measure confirms that the government has a short-term policy, which ends up being harmful to the Argentine economy.”

Institute for Social Development of Argentina

The request for an import permit is sent to the Federal Administration of Public Revenues (AFIP). But the final word will be given by controversial Interior Commerce Secretary Guillermo Moreno. Moreno is known for abrupt actions. A Petrobras director in Argentina, who requested anonymity, said, “He called me screaming to know what was going on with our business … . I have lived in many countries, but had not seen anything like it.” Since that time, Moreno has acquired a variety of responsibilities, most recently for foreign trade under the Ministry of Foreign Affairs. “We depend on imports of [parts] … but they are stuck in customs for months, waiting for Moreno’s decision,” said one businessman, who also requested anonymity.

Miguel Ponce, who is general manager of the Chamber of Exporters of Argentina (CIRA), says some businesspeople prefer anonymity because they fear reprisals from the government. “We depend on imports to keep our industry operating.
Some businesspeople prefer anonymity because they fear reprisals from the government.

We import, for example, almost 80 percent of parts of the cars we make. How do we make vehicles if imports are suspended?” he said. In turn, 80% of Argentina’s vehicles are exported to Brazil. In December, before the new measure was announced, for example, Fiat reportedly suspended production of cars for a few hours because it lacked parts. And Ponce adds that there were already numerous brakes on imports: “We’re still trying to solve previous problems with the government and now comes this new measure to complicate matters more.”

A United Front

The new measure was announced in January during President Kirchner’s

Argentina launches new import license

Solange Monteiro, Rio de Janeiro

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
leave for medical treatment. During her absence, Vice President Amado Boudou said disputes with Brazil were “natural” because bilateral trade had “multiplied” in recent years. When Kirchner returned on January 25, she announced that Argentina had recorded a major trade surplus in 2011: more than US$10 billion. But according to the INDEC, the trade surplus was 11% lower than in 2010 and 39% lower than the record US$16.8 billion in 2009.

Kirchner stressed that economic growth is a priority for her government. “The 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.”

“Without the screws required for each stage of production, our industry may suffer. If this measure is not well managed, we will not be hurting Brazil but ourselves.”

Carlos Melconian
“The problem in Argentina is not the trade deficit with Brazil. The problem of Argentina is Argentina and its unpredictability.”

Mariano Lamothe, another Abeceb economist, said the move itself seems simple, but the question is how it will be carried out. “If the 10-day period specified is observed, there will be no major problems for imports. But if this deadline is only a fiction, oh yes, we will worry very much,” he said. For him “the big question” is whether the government will make this period a trade barrier for each item requested by an Argentine importer. “The expectation is that Moreno will call the importers asking for details before giving approval for imports. This will delay the application and the unloading of goods,” he said. He expects Brazil to be one of the exporting countries most affected.

Importers, businesspeople, and economic analysts are virtually unanimous in stating that Argentine industry depends heavily on imports of basic materials. “Without the screws required for each stage of production, our industry may suffer. If this measure is not well managed, we will not be hurting Brazil but ourselves,” said economist Carlos Melconian.

The move prompted similar criticism in the media. “The problem in Argentina is not the trade deficit with Brazil. The problem of Argentina is Argentina and its unpredictability,” said Marcelo Longobardi.
Longobardi of Radio Diez, one of the most popular commentators in the country. “This measure will affect the government’s most precious goal: industry growth and hence economic growth,” said Thomas Bulat of the Buenos Aires financial daily *El Cronista*. According to official figures, Argentine industry grew 6.5% more last year than in 2010.

**The Dollar Problem**

Economists also noted that Argentina still has a trade deficit with Brazil even though the Brazilian real has appreciated more than the Argentine peso, showing that Brazilian industry is more competitive. They also understand that besides taking care of the trade balance, Argentina wants primarily to protect its dollar reserves. Lamothe explained that “All the measures taken in the last six months had the same goal: to stanch the bleeding of dollars. One imposed controls on the sale of foreign currency, for instance. Now [the government] wants to avoid an outflow of dollars to pay for imports.”

Other analysts polled indicated that the Argentine economy is going through “a kind of creative adjustment” in order to avoid a fall in growth. President Kirchner calls this fine tuning. “Fine tuning because we are facing problems in each sector,” she said. First there was the elimination of subsidies for public and private companies and the expected increase in consumer tariffs. Then there were the measures to contain runs on the dollar. Third, there were accusations against oil companies for fixing prices and a lack of investment—Kirchner claims that the companies were responsible for last year’s energy deficit.

Alcadio Oña, a critic of Kirchner’s management who is economic analyst for the *Clarín* newspaper, said the government wants to sustain the current exchange rate (about 4.3 pesos per dollar) “by force,” through control of either sales of dollars or imports. “Basically what we lack is an industrial policy—or rather, long-term policies in general.”