



## **U.S. Department of State FY 2001 Country Commercial Guide: Argentina**

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## XIII. TRADE EVENT SCHEDULE

## I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents an overview of Argentina's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

With a nominal GDP of \$283 billion in 1999, Argentina is the second largest economy in South America. The 90's economic restructuring and macroeconomic stability fostered major new investment in services and industry. As a result, Argentine exports almost doubled in seven years – from about \$12 billion in 1992 to about \$23.2 billion in 1999. Imports also grew rapidly during the same period, rising from \$15 billion to about \$25.5 billion.

As a consequence of external shocks the Argentine economy went into recession in the last quarter of 1998. GDP growth began slowing in the second half of 1998, and 1999 saw an economic contraction of 3 percent. A return to modest growth (estimated at 2 to 3 percent) is expected for the second half of 2000. Despite that recession, Argentina — with a track record of macroeconomic stability, a growing and sophisticated consumer market, free capital flows, access to Mercosur and a nondiscriminatory foreign investment regime — remains an attractive emerging market for U.S. trade and investment. The United States and Argentina today have an excellent bilateral relationship after many years of estrangement. This relationship is now so close and multifaceted that President Clinton has designated Argentina a major non-NATO ally. The efforts of the Menem administration (1989-1999) to open Argentina's economy and realign its foreign policy contributed to the improvement in these relations. The De la Rúa administration that replaced it last year has maintained these close relations.

The Argentine government has eliminated most restrictions on domestic and foreign trade. However, duty rates for some products have been increased in order to protect local industry, and several certification and standards issues have arisen which seem to constitute non-tariff barriers to imports. On the other hand, there is free flow of foreign investment capital and repatriation of funds, thus making Argentina a good market for U.S. exports and long-term direct foreign investment.

U.S. direct investment is concentrated in telecommunications, petroleum and gas, electric energy, financial services, chemicals, food processing and vehicle manufacturing. The stock of U.S. direct investment in Argentina approached \$16 billion at the end of 1999. Spain is the largest foreign investor in Argentina, followed closely by the U.S.

Argentina has experienced strong growth in its foreign trade since 1990. Foreign trade now equals approximately 17 percent of GDP — up from 11 percent in 1990 — and plays an increasingly important role in Argentina's economic development.

The U.S. recorded trade surpluses with Argentina every year from 1993-99, as Argentina's firms increased purchases of capital goods during that period. This trend reflected the Argentine government's policy of encouraging modernization and improved competitiveness of Argentine industry through relatively lower tariffs on capital goods. There are, however, some inconsistencies that generate concern among US suppliers. Several Resolutions have been passed by the Argentine Secretariat of Industry requiring burdensome certifications and registrations for imports of a variety of goods. Among the types of products affected by these non-tariff barriers are electrical appliances and apparatus, structural and flat steel products used in construction (and by extension most other flat steel products), and automotive vehicles.

A strong infrastructure in the telecommunications, energy and transportation industries was developed in Argentina over the last decade. Although privatization is largely complete, additional investment opportunities will still arise in some major public and private programs that include transportation infrastructure in ports, highways and airports, power lines, food processing, banks and financial institutions, telecommunications, information technology, irrigation and flood control, and mining.

Since the inception of the Mercosur customs union in 1995, Brazil has become Argentina's largest trading partner, with the U.S. in second position. The Brazilian financial turbulence of 1998-1999 demonstrated the influence of the Brazilian economy on Argentina's economic outlook. Brazilian recession adversely affected Argentina's growth. Nonetheless, Mercosur is a key element of the business strategy of many foreign manufacturing and services firms, and U.S. exporters and investors continue to take advantage of the opportunities in Argentina arising from Mercosur.

The local cost of credit is high for the private sector, especially for small and medium-sized enterprises. Confidence in Argentina's basic political stability is high and expected to remain so.

Unemployment has risen to 15 percent in mid-year 2000 and is likely to remain high in the years ahead. According to industry analysts, further changes in the recently enacted labor reform fall short of those required to impose labor market flexibility.

Best prospects for U.S. trade and investments are in telecommunications equipment, computers and peripherals, medical equipment, airport ground support equipment, insurance services, electric power systems, plastics materials and resins, travel and tourism services, materials handling equipment, and building materials and supplies.

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Argentina has resumed moderate economic growth in 2000, after suffering a significant recession that began in the last quarter of 1998. President Fernando de la Rúa, who took office in December 1999 following the ten-year administration of former President Carlos Menem, has appointed a respected economic team who are continuing and building on the economic policies of his predecessor.

During the 1990s, Argentina implemented a remarkably successful economic restructuring based on macroeconomic stabilization, trade liberalization, privatization, and public administrative reform, which placed the country on a relatively sound economic footing after decades of economic decline and chronic bouts of high or hyperinflation. However, Argentina needs to complete some difficult structural reforms to ensure a steady growth path.

The 1991 convertibility law established a quasi currency board that has provided the pillar of price stability. The government privatized most state-controlled companies, opened the economy to foreign trade and investment, improved tax collection, and created private pension and workers compensation systems.

As a result of these policies, Argentina experienced a boom in economic growth in the early 1990s, followed by a period of somewhat more erratic growth in the second half of the decade, during which the country was hit by a series of external economic shocks and experienced two recessions. While the economy recovered fairly quickly from the effects of the “Tequila” crisis of 1995, Argentina is finding it harder to return to a strong growth path in the current economic environment after successive shocks from East Asia, Russia and Brazil.

Structural reforms — coupled with monetary stability — fostered major new investment in services and industry in the 1990s. This was noteworthy in the telecommunications, food processing, banking, energy, and mining sectors. As a result, Argentina’s exports have more than doubled — from about \$12 billion in 1992 to around \$25 billion in 1999. Imports also grew rapidly during the same period — rising from \$15 billion to over \$25 billion. However, Argentina’s trading sector still remains a relatively small part of its economy. This is in part a heritage of the Argentina’s decades of import-substitution policies, but it also reflects the country’s relatively diversified economy.

One of Argentina’s challenges is to generate growth with more equitable distribution of income and reduced unemployment. The country has seen double digit unemployment since the mid-1990s (the peak was 18.4 percent mid-year 1995). The October 1999 unemployment rate was 13.8 percent. Over the long term, larger and more significant declines in unemployment will come slowly. This is likely because labor productivity will rise as major private investments are implemented, and future growth will be strongest in capital intensive sectors.

There is a broad base of support for the key elements of Argentina’s economic model. However, there is growing awareness that there are important pending structural reforms, primarily in the labor market, tax administration, and the delivery of public services. Inefficiencies in these areas need to be addressed to ensure stable growth. Public sector corruption, commonly acknowledged as being widespread, is another subject of broad public debate. The Argentine justice system can be politically influenced, is often inefficient and usually provides slow due process. The new Argentine

government has made fighting corruption a political priority.

Brazil's sudden decision to float the real in January 1999 strained Argentine public support for the Mercosur customs union and raised questions about its institutional framework. Concerned about a surge of imports from Brazil, Argentine firms in vulnerable sectors pushed for measures to protect their industries. In early 2000, the growing sense of crisis in the trade bloc led Argentine and Brazilian authorities to conclude successfully difficult negotiations on a common auto regime, and to establish a process for setting macro-economic targets. These measures, as well as a renewed political commitment at the presidential level, reinforced Mercosur.

### Recent Economic Developments

The Argentine economy has benefited significantly from its monetary, fiscal, and trade reforms, as well from the privatization of nearly all state-owned companies. Argentina's basic economic strategy is to maintain strict fiscal and monetary discipline in conformity with the 1991 convertibility law. The government seeks to promote economic growth under conditions of low inflation, increase savings and investment, deepen the process of structural reform, and improve efficiency in the economy. However, a series of international shocks, culminating in a significant recession in 1999, have tested investor confidence. New investment slowed somewhat in 1999, due to the combined effects of higher interest rates and recession in Brazil, and is likely to remain at depressed levels for 2000. Meanwhile, consumer prices declined by 1.8 percent in 1999 and are not expected to increase significantly in 2000.

Argentina and the International Monetary Fund concluded a new \$7.4 billion Stand-by Arrangement in March 2000, replacing a previous Extended Fund Facility. The government expects to treat the IMF program as precautionary, and does not intend to draw on the funding.

Argentina's heavy reliance on Foreign Direct Investment and primary agricultural exports has made the country vulnerable to fluctuations in capital flows. This vulnerability resurfaces anew after each international shock, as interest rates rise and country risk spreads tend to widen, while the Buenos Aires Stock Exchange amplifies most international trends. The Argentine stock market index (MERVAL) rose 27.9 percent during 1999, after sell-offs in 1998, but has yet to recover to 1997 levels, and in fact lost ground during the first months of 2000. Moreover, the MERVAL and the Buenos Aires stock exchange have become increasingly less relevant to the Argentine economy, as key companies have been sold to foreign investors and ceased trading, while new companies prefer to issue stock on the NASDAQ.

External shocks helped push the Argentine economy into recession in the last quarter of 1998. GDP growth began slowing in the second half of 1998 and 1999 saw an economic contraction of 3 percent, as a domestic loss of confidence extended the effect of the external shocks. While the economy was showing increased strength by the end of 1999, increases in international interest rates and a continued lack of confidence among consumers and investors have slowed down recovery this year. A return to modest growth (estimated at 2 to 3 percent) is expected for the year 2000.

Even though Argentine household income has risen since the convertibility plan was adopted in 1991, the average income of the poorest households in greater Buenos Aires has decreased since 1994 — in part due to job losses. In 1998, 26 percent of the population of Greater Buenos Aires

lived in households with income below the poverty line — up from 21.5 percent in 1991. There have been sharp increases in urban crime in recent years.

Unemployment in the urban labor force remains high (13.8 percent as of the last survey in October 1999) and is unlikely to fall by much in the near term. Many of the new jobs generated have been temporary, part-time, or other types of contingent employment. A new labor law passed in May 2000 is intended to encourage new hiring in the formal sector. The legislation extends the probationary period for new hires, cuts payroll taxes by a third for new permanent employees, and, for the first time in decades, permits labor negotiations at the firm or regional level. The success of these changes in union negotiation rules will strongly influence perceptions by foreign investors of Argentina as an attractive destination for investment.

The constraints of the convertibility system reduce the administration's flexibility to conduct fiscal policy. Argentines and international observers have begun paying more attention to federal and provincial fiscal deficits and the rising level of public debt. Moreover, the recent recession and prolonged price deflation have put downward pressure on Argentina's tax revenues. Argentina's 1999 public sector deficit was over \$7 billion, or around 2.5 percent of GDP. Provincial deficits added another 1.3 percent of GDP to the total. A large part of the budget deficit can be attributed to the social security system. Most workers have shifted from the government pension system to private capital pension funds under the 1994 pension reform. Private funds now receive about \$4 billion annually from current workers, while the government must continue to fund payments to retirees out of the budget. This imbalance will be corrected once private funds start to pay for future retirees.

A fiscal responsibility law passed in August 1999 is intended to cut the level of future deficits, and eventually result in a balanced budget (by 2003) and a fiscal stabilization fund to cushion the impact of future recessions. The new IMF program also contains similarly strong fiscal constraints. The de la Rúa government has implemented a substantial fiscal adjustment, based on spending cuts and some unpopular tax increases, in an effort to revive investor confidence and bring down the country risk premium, thereby laying the basis for future growth. These adjustments have substantially reduced disposable income throughout Argentina.

Another of Argentina's challenges is to rationalize the federal revenue-sharing system with the provinces (called "coparticipation") and improve the finances of the provincial governments. The government has entered into agreements with nine small provinces with severe fiscal problems to help refinance short-term debt payments in return for provincial cost-cutting measures. The federal government and the provinces have also committed to restructure the coparticipation system over the next few years.

The real cost of credit is still high for the local private sector, especially for small and medium-sized enterprises. Greater lending for small and medium sized firms is essential to foster job creation. However, the fact that many small firms operate in the informal economy makes it very difficult for them to receive traditional financing. Private commercial banks have shown little interest in providing less expensive loans to small businesses.

For several years, Argentina's high rate of tax evasion, corruption, non-performing loans in the banking system, inefficient public sector spending, and weak provincial government finances, have

been cause for concern. The new labor legislation should address some of the rigidities in the labor market, but the health care system remains a key area in need of reform. Argentine justice is notoriously slow and subject to outside influence, and surveys indicate public confidence in the judiciary is weak.

## Banking

The past few years have seen a significant consolidation and strengthening of Argentina's banking system, in large part through foreign investments. In addition to high reserve and capital adequacy requirements, the Central Bank of Argentina maintains a repurchase agreement with a consortium of international banks to provide around \$6 billion as a safety net in the event of a liquidity squeeze. Mergers and acquisitions, which decreased the number of Argentine banks from nearly 300 in 1990 to fewer than 100 at the end of 1999, are expected to continue and should lead to improvements in management and efficiency. The foreign currency reserves of the Central Bank stood at nearly \$25 billion in December 1999, or over nine months of imports. However, by law these reserves are used to back the monetary liabilities of the Central Bank, and are not available for conducting monetary policy.

Despite the recession, bank deposits continued to grow during 1999, although at a much slower rate than in previous years. Total deposits in the banking system stood at nearly \$80 billion in December 1999 — twice that in June 1995, when deposits hit a low of \$37 billion. Foreign-controlled banks now hold over 40 percent of total Argentine bank deposits (65 percent of deposits in private banks) and six of the top ten commercial banks are in the hands of U.S. and European financial institutions. Still, the level of bank utilization in Argentina remains relatively low, and bank intermediation represents only about 30 percent of GDP — a much lower ratio than that in Chile, Mexico or Brazil, for example.

Financing and lending costs, high by industrialized country standards, were further increased by the turmoil in emerging markets. Annual interest rates which banks charge large preferred businesses have settled at around 10 percent. For consumer overdrafts or higher-risk firms — typically small businesses — annual rates approach 25 percent. Given Argentina's extremely low rates of inflation, those interest rates, which reflect lenders' risk calculation, are very high in real terms.

In order to combat money laundering, the Central Bank requires financial institutions to keep records of large and suspicious transactions. Long-delayed legislation to strengthen the sanctions for money laundering and create a Financial Information Unit to coordinate information on suspicious transactions was finally enacted in May 2000. Implementing regulations are expected to be in place by the end of the year.

Strong political opposition to privatizing Banco de la Nacion, Argentina's largest commercial bank, will keep the bank in state hands for the foreseeable future. Indeed, the government is planning to rewrite the bank's charter to strengthen its role as a lender to small business.

## Debt Management

Argentina's total external debt (public and private) at the end of 1999 was around \$147 billion, or approximately 52 percent of gross domestic product. Argentina's debt to export ratio was about 5 to 1—much higher than that in most big emerging markets. Nevertheless, Argentina was among the first emerging market countries to return to the international bond market following 1998's recurring bouts of financial turbulence. Argentina has continued to place sovereign debt in international markets throughout 1999. As of May 2000, the government had covered over half its expected financing needs for the year.

The Argentine government has been among the most skillful managers of foreign debt in Latin America. Argentina's public debt maturities are mostly concentrated in the long term. However, Argentina will need to borrow at least \$18 billion during 2000, with a substantial proportion from international markets. Argentina will use about \$11.5 billion of this borrowing for public debt service, and the remainder will be used to cover the projected 2000 deficit. Financing needs will remain at around \$20 billion for the next few years, according to some analysts. As such, debt service will put growing pressure on Argentina's fiscal accounts, particularly as world interest rates rise.

### Foreign Trade

A key development in helping Argentina meet its external payments has been the strong growth in Argentina's foreign trade since 1990. Foreign trade now equals approximately 17 percent of GDP — up from 11 percent in 1990 — and plays an increasingly important role in Argentina's economic development. Still, exports represent only 8 percent of Argentine GDP, largely unchanged since 1990.

The U.S. recorded trade surpluses with Argentina every year from 1993-99, as Argentina's firms increased purchases of capital goods during that period. This trend reflected the Argentine government's policy of encouraging modernization and improved competitiveness of Argentine industry through relatively lower tariffs on capital goods.

Argentina's trade deficit dropped from \$5 billion in 1998 to \$2.2 billion in 1999, primarily because continuing recession in Argentina lowered demand for imports. The value of overall Argentine exports fell 12 percent, due mainly to low international commodity prices, while imports dropped 19 percent over 1998. Argentine exports began to increase significantly in the last months of 1999 and continued their upward trend in early 2000. Exports should continue to rise throughout 2000 as economic rebounds in Brazil and Asia increase demand and prices for Argentine commodities, especially oil and gas.

The U.S. trade surplus with Argentina was \$2.4 billion in 1999, down from 1998 as U.S exports to the country declined from \$5.9 to \$5.0 billion. Fresh Argentine beef was exported to the U.S. market in 1997 for the first time in over 60 years. Argentina filled the quota its fresh beef quota of 20,000 tons for the first time in 1999.

### Trade with Mercosur

Mercosur, the customs union that includes Argentina, Brazil, Paraguay and Uruguay, entered into force January 1, 1995. Chile and Bolivia joined the pact subsequently as associate members. Close

cooperation between Brazil and Argentina — historic competitors — is the key to Mercosur's integration process, which includes political and military elements in addition to a customs union. Brazil accounts for over 70 percent and Argentina approximately 27 percent of Mercosur GDP.

Since its inception in 1991, Mercosur has been one of the largest and most successful integrated markets in the developing world. Its formation has helped attract record levels of foreign investment to its members. Intra-Mercosur trade rose dramatically from \$4 billion in 1991 to over \$23 billion in 1997, but grew only slightly in 1998. Over 90 percent of intra-Mercosur trade is duty-free, while the group's common external tariff (CET) applies to more than 85 percent of imported goods. Remaining goods will be phased into the CET by 2006.

Simultaneous recessions in all of Mercosur's members, as well as concern in Argentina's private sector about a flood of imports from Brazil in the wake of the devaluation of the real, provoked a crisis within Mercosur in 1999 and early 2000. A volley of protectionist measures and countermeasures resulted, with non-tariff barriers erected in politically sensitive sectors including shoes, textiles and paper products. In 1999, Argentine exports to Mercosur countries declined by 25 percent over 1998 levels, reflecting stagnation in Brazil's economy and the impact of the 1999 devaluation of the real. The Argentine auto and auto parts sectors — which had accounted for 35 percent of total Argentine exports to Brazil — were hit particularly hard.

In an effort to restore confidence in the bloc, Argentina and Brazil negotiated agreements in the first half of 2000 that reinforced Mercosur. In March, member countries settled on the broad outlines of a Mercosur auto regime that would gradually phase out requirements for national content and intra-company trade balancing, as well as establish common external tariffs on finished vehicles and components. In late April, Argentina and Brazil announced a series of steps to increase coordination of their respective economic policies, including a schedule for establishing targets for fiscal deficits, debt and inflation in 2001. The two countries also set up a mechanism to oversee private sector "voluntary" export limits in politically sensitive trade sectors. Finally, Argentina and Brazil agreed to deepen coordination of foreign policy, including positions in international fora and multilateral trade negotiations.

Mercosur has initiated trade negotiations with the Andean pact, Mexico, and the European Union. Mercosur's members are participating as one body in negotiations for the Free Trade Area of the Americas (FTAA). Argentina assumed the chairmanship of the FTAA's Trade Negotiating Committee in November 1999.

### Trade Barriers

Despite the generally favorable environment for imports, the Argentine authorities occasionally erect protectionist barriers. For example, since 1993 the government has maintained specific duties on footwear under a variety of different guises. In February 2000, Argentina renewed safeguards on footwear imports in spite of a WTO ruling against them. Argentina also applies unjustified phytosanitary entry requirements to certain U.S. agricultural products, including fresh pork, Florida citrus and some California fruit.

To better monitor imports and to combat under-invoicing, Argentina enacted several measures in recent years that raise the cost of imports. For example, imported motor goods as well as most

shipments of consumer goods worth \$800 or more must undergo pre-shipment inspection. Firms exporting to Argentina can choose from among six government-approved private commercial pre-inspection services. However, some importers have experienced difficulty with Argentine customs authorities, which have claimed that goods were under-invoiced despite the certification from one of the government-approved pre-inspection companies. The Argentine government has indicated that it will be gradually phasing out the pre-shipment inspection program beginning in June. In March 1999, Argentina also instituted an automatic import-licensing scheme that covers over 1800 import positions.

### Protection of Intellectual Property

Argentina adheres to most treaties and international agreements on intellectual property. Argentina is a member of the World Intellectual Property Organization (WIPO) and signed the Uruguay Round agreements in December 1993 — including measures related to intellectual property.

The country's legislation on patents for pharmaceutical and agrochemical products contains a number of provisions which are inconsistent with WTO/TRIPS (Trade-Related Intellectual Property Rights) obligations and which severely undermine necessary protection for intellectual property in these areas. Argentina's patent office, INPI, has also failed to provide TRIPS-consistent treatment to applications for exclusive marketing rights (EMRs) for pharmaceutical products; however, the recent changes in INPI management could lead to substantial improvements in the process. In May 1997, the U.S. withdrew duty-free treatment for about one half of the Argentine products that benefited from the Generalized System of Preferences program. The U.S. Government has also initiated consultations under WTO procedures to address these inadequacies.

Argentine law prohibits piracy of computer software, although enforcement is uneven. As in many countries, piracy of video, cable television and recorded music in Argentina remains a problem. Efforts are underway to combat this, including arrests and seizure of pirated material. U.S. industry estimates that losses due to copyright piracy in Argentina exceed \$275 million annually. Although trademarks are protected by law and generally are respected in Argentina, some U.S. companies have been adversely affected by the inability to seek criminal prosecution and monetary damages in counterfeit cases related to trademark enforcement.

### Investment Climate

Price stability and a reasonable level of economic predictability have created a climate favorable to capital flows into Argentina. Foreign investors need not register in Argentina nor obtain permission to invest. Complete foreign ownership of local companies is permitted. Investment in shares on the local stock exchange requires no government approval. There are no restrictions on movements of capital or repatriation of funds. Customs procedures, however, are expensive and time consuming.

Mercosur has become a key element of the business strategy of many foreign manufacturing and services firms in Argentina. Many U.S. and other foreign firms remain strongly interested in taking advantage of opportunities in Argentina arising from Mercosur. Major U.S. investors, including car manufacturers and food processors, access Mercosur markets through operations in Argentina. However, in the wake of Brazil's January 1999 devaluation, there is a clear tendency to locate more regional production in Brazil.

The government eliminated all restrictions on foreign-owned banks in 1994. Further liberalization of the Argentine insurance market in 1998 has facilitated the entry of U.S. insurance firms. U.S. insurance companies can enter the Argentine insurance market alone, by establishing a joint venture with an Argentine company, or by purchasing an existing, licensed company. Suppression of inflation has revived the insurance market, and U.S. companies have become involved in a wide variety of market segments, including workers' accident insurance, life insurance, retirement/pension insurance, property and casualty insurance, and health care insurance.

U.S. direct investment in Argentina is concentrated in telecommunications, petroleum and gas, electric energy, financial services, chemicals, food processing and vehicle manufacturing. The stock of U.S. direct investment in Argentina approached \$16 billion at the end of 1999, according to Embassy estimates. Meanwhile, Canadian, European and Chilean firms — also important sources of capital — have also invested significant amounts. Spanish companies in particular have entered the Argentine market aggressively, with major investments in the petroleum and gas, telecommunications, banking, and retail sectors.

Several bilateral agreements play an important role in promoting U.S. private investment. Argentina has an Overseas Private Investment Corporation (OPIC) agreement and an active program with the U.S. Export-Import Bank. Under the 1994 U.S.-Argentina Bilateral Investment Treaty, U.S. investors enjoy national treatment in all sectors except shipbuilding, fishing, nuclear power generation and uranium production. The treaty allows for international arbitration of investment disputes.

#### Outlook for 2000

The new government of President Fernando de la Rúa, which took office in December 1999, confronts a number of difficult economic challenges. While the government faces calls for increased spending on education and social welfare, it has been forced to implement a substantial fiscal adjustment almost immediately to bring the budget deficit under control. A demonstration of fiscal responsibility, with spending cuts as well as tax increases, was required both in order to remain within the constraints of the fiscal responsibility law and to retain investor confidence so that the country can continue to borrow in international capital markets.

Some of the global conditions which made 1999 such a difficult year will continue to be unfavorable for Argentina: the international financial situation for emerging markets remains complex and agricultural commodity prices, although somewhat recovered from their 1998 lows, are not expected to recover to 1997 levels. The dollar's strength against the euro makes Argentina's exports to the European Union, one of the country's key markets, more difficult, and increased interest rates in the United States will raise the cost of Argentine financing, unless Argentina can compensate for the effect by lowering its own country risk.

A devaluation of the Argentine peso is extremely unlikely, given the success of convertibility in providing stability and predictability for growth, and the large share of dollar-denominated deposits and loans. Dollarization is considered a more likely response to any overwhelming external shock or crisis, although the de la Rúa government has shown little enthusiasm for former President Menem's highly publicized proposal for a treaty of monetary association with the United States.

The progressive deregulation of Argentina's telecommunications sector is due to be completed in November 2000, in accordance with Argentina's WTO commitment. In anticipation of this, consumers are already seeing significantly lower costs and dramatically improved and expanded services. Telecommunications in Argentina will generate more than \$12 billion in annual revenue and will offer lucrative opportunities for U.S. firms. Argentina's Internet usage is poised to grow exponentially over the next several years as personal computer penetration climbs and as telecom deregulation cuts connect costs. The Government of Argentina has announced a broad range of initiatives to increase Internet penetration and use for commercial applications and provision of government services. The standard for Digital TV has been opened for review and a decision is expected this year.

Mining exports, which are estimated at around \$1 billion for 2000 are projected to grow to \$2.3 billion in 2004. Total investment in mining is expected to reach \$5 billion for the five-year period 2000-2005. Although some ambiguities in its interpretation have emerged, the 1993 Argentine mining code has created a favorable investment climate in the sector. An influx of foreign capital is bringing major copper and gold mines on line in Catamarca and Santa Cruz provinces, as well as smaller projects elsewhere. Argentina and Chile have concluded a bilateral agreement that will permit cross-border exploration and development in mining.

The Embassy estimates that economic growth in Argentina will be in the range of 2-3 percent for the year 2000. Argentina's future economic growth will be strongly influenced by developments in Brazil, coupled with productivity growth, foreign direct investment flows, and continued price stability at home. Over the medium term, until pending labor, fiscal, judicial and social issues are squarely addressed, foreign investors may have lingering concerns about the Argentine economy's ability to withstand severe external shocks. The Brazilian devaluation, as well as events in Asia and Russia, have also renewed concerns about the competitiveness of Argentine exports.

Argentina will continue to run a modest trade deficit in 2000. The country's current account deficit is expected to exceed four percent of GDP. Still, Argentina — with a proven track record of macroeconomic stability, a growing and sophisticated consumer market, free capital flows, preferential access to Mercosur, and a nondiscriminatory foreign investment regime — continues to be an attractive emerging market for U.S. trade and investment.

### III. POLITICAL ENVIRONMENT

#### The Argentine Political System

Argentina is organized as a constitutional federal republic. The revised 1994 national constitution provides for a strong executive branch, a bicameral legislature and an independent judiciary. The executive traditionally has dominated federal politics. Many rights are reserved by the provinces under the constitution, in theory, producing a balance between federal and provincial authority. In practice, however, Argentina's federal system is dominated by the center. Each province has its own constitution.

The president is elected to a four-year term and is eligible to run for a second consecutive term of

office. Under the new constitution each province, including the Capital, will have three senators, elected by popular vote to six-year terms. Deputies are elected for four years, in alternate terms, with half standing for reelection every two years. The president appoints cabinet ministers. The constitution grants the president considerable power, including a line-item veto.

The constitution establishes a separate and independent judiciary. The President appoints the members of the Supreme Court of Justice with the Senate's consent. Under the new constitution, judges below the level of the Supreme Court are to be identified for Presidential nomination by a Judicial Council, which also has the power of removal for cause. The Supreme Court has the power, first asserted in 1854, to declare legislative acts unconstitutional.

On October 30, 1983, after seven years of de facto military rule, Argentines voted for a president, vice president, and 14,000 other national, provincial and local officials in fair, open and honest elections. Raul Alfonsin, the candidate of the Radical Civic Union (UCR), won the presidency and began a six-year term of office on December 10, 1983. The Alfonsin government took steps to resolve some of the nation's most pressing problems, including accounting for citizens who disappeared during the era of military dictatorship, establishing civilian control over the armed forces, and consolidating democratic institutions. The Alfonsin government, however, had serious problems getting the nation's economic house in order. By 1989 annual inflation soared to 4,923.00 percent.

In May 1989, Carlos Saul Menem, the candidate of the Justicialist Party (PJ), also known as the Peronist Party, was elected president; the PJ and its allies also won control of both houses of the new congress, which took office in December. The rapidly deteriorating economy and a resultant loss of confidence in the national government led Alfonsin to leave office five months early, allowing Menem to assume office in July 1989. This was Argentina's first transfer of power between democratically elected leaders in more than sixty years.

In 1994, political compromise between the two major parties paved the way for voters to elect a constituent assembly to revise the constitution. The new constitution, approved in August 1994, provides for the direct popular election of the president and permits him to run for a second consecutive term. It also provides for the direct election of the mayor of the Federal Capital and senators.

In May 1995, following a first term marked by economic success and political stability, President Menem was reelected to a second four-year term with nearly 50 percent of the vote. The PJ also won an absolute majority in the Chamber of Deputies and retained control of the Senate.

### Argentine Political Parties

General Juan Domingo Peron, president of Argentina from 1946 to 1955 and 1973 to 1974, founded the Justicialist Party in the 1940s. He built his Peronist movement on a foundation of statist and strongly pro-labor policies. Following its defeat in the 1983 presidential elections, control of the PJ passed to a reformist faction. They democratized the party's structure, which led it to victory in the 1987 congressional elections. The PJ joined the Christian Democratic International in early 1994 and has advocated a political opening to the developed world and close ties to the United States and Europe. In the 1997 mid-term Congressional elections, however, the PJ lost its majority in the lower house, though it retained a plurality.

The Radical Civic Union (UCR) is also the country's oldest party. Since the turn of the century it has traditionally represented middle-class interests. Its leader is former President Raul Alfonsin.

In April 1994, many left-of-center politicians joined with former Peronists to create the National Solidarity Front (Frente para un Pais en Solidaridad), or FREPASO. FREPASO's diverse coalition is more a political movement than a fully formed party. In 1995, their candidate, Jose Octavio Bordon, defeated the UCR candidate for second place in the presidential elections. In August 1997, the UCR and FREPASO joined together in an opposition coalition called the Alliance for Work, Justice, and Education.

Besides the PJ, the UCR and FREPASO, Argentina has many smaller parties that are regional or right or left of the centrist UCR and PJ. In aggregate, they can play an influential role in the national Congress and sometimes control provincial governments. Many regional parties seek greater financial support and less interference in provincial affairs from the central government.

The Menem administration pursued wide-ranging economic reforms designed to open the Argentine economy and enhance its international competitiveness. Privatization, deregulation, fewer import barriers and a fixed exchange rate have been cornerstones of this effort. All these changes have dramatically reduced the role of the Argentine state in regulating the domestic market.

In October 1999, Argentina voted for President, Vice-President, half the Chamber of Deputies, several governorships, and a number of municipal positions. The Alliance Presidential candidate Fernando de la Rúa and Frepaso deputy Carlos Alvarez were elected, taking office in December 1999. The PJ presidential candidate, Buenos Aires Governor Eduardo Duhalde, was defeated by a comfortable margin. Former Menem Minister of Economy Domingo Cavallo ran third on the action for the Republic ticket.

#### Nature of the Bilateral Relationship with the U.S.

The United States and Argentina enjoy an excellent bilateral relationship after many years of estrangement. This relationship is now so close and multifaceted that President Clinton has designated Argentina a major non-NATO ally. The efforts of the Menem administration to open Argentina's economy and realign its foreign policy contributed to the improvement in these relations. The De la Rúa administration has maintained these close relations. The interests and policies of Argentina and the United States coincide on many issues. For example, Argentina often votes with the United States in the United Nations and has backed many U.S. supported candidates for high offices within international organizations. Argentina has also participated in many multilateral peacekeeping deployments mandated by the United Nations Security Council, including missions to Haiti and the former Yugoslavia.

Argentina's policies on science and technology have also changed dramatically. In 1992 it signed a Bilateral Nuclear Cooperation Treaty and ratified the Treaty of Tlatelolco. Argentina dismantled its Condor missile project and became a member of the Nuclear Suppliers Group and the Missile Technology Control Regime. Argentina has also cooperated with the United States on the preservation of the environment and in combating narcotics trafficking.

#### Major Political Issues Affecting the Business Climate

The Menem Administration strongly encouraged private initiative through privatization, deregulation of the economy, and encouragement of foreign direct investment, all of which are vital to continued growth. Foreign investors are welcome in virtually every economic sector.

Under President De la Rúa, the highly favorable investment climate continues for U.S. firms, however there are occasional inconsistencies associated with governmental and judicial actions. A variety of cases exist where U.S. companies have been unfairly affected by what they consider to be arbitrary and capricious enforcement of laws. A few cases endure from the old days of statist intervention by military juntas; others have occurred in the present environment. Although much has been achieved in such areas as deregulation and market opening, the government itself recognizes that the administration of justice must be improved, to speed up court cases, and guarantee a fair, competitive business environment. The U.S. government supports these changes.

Social stability is also a potential issue of the future. Despite the outward measures of success, important problems still remain to be dealt with, such as high unemployment rates, regional disparities in economic development, and the lack of adequate social services. On the other hand, the public's memory of decades of increasing economic chaos culminating in the hyper-inflationary episodes of 1989-90 is still vivid.

#### IV. MARKETING U.S. PRODUCTS AND SERVICES

U.S. companies intending to export to Argentina should consider economic, demographic, as well as cultural characteristics that differentiate it from other Latin American countries.

Having the highest per capita gross domestic product and the second highest total gross domestic product and life expectancy in Latin America, as well as low rates of population increase and illiteracy rates, Argentina attracts many business opportunities.

The population and economic activity are highly concentrated in the Greater Buenos Aires area. The population is largely of European descent and continues to have strong ethnic, cultural, as well as business ties with Europe. Consumer preferences tend to resemble more those of Europeans than those of other Latin America nationals. However, revenues are highly dependent on MERCOSUR trade, especially with Brazil, and the regional economic situation.

Argentina traditionally has had a large middle class, though in the last decade this class has suffered most during economic downturns. A survey of the population by socioeconomic class, performed by the Argentine Marketing Association, classified the 37 million Argentines as follows: Class ABC1: 11 percent, with annual household income of \$88 million; C2: 11 percent, annual income: \$24 million; C3: 24 percent, annual income: \$13 million; D1: 25 percent, annual income: \$8 million; D2: 25 percent, annual income: \$7 million; E: 24 percent, annual income: \$2.5 million.

In many sectors, European competitors of U.S. firms are already present in the market, and may be well entrenched. Nevertheless, the U.S. is Argentina's single largest trade and investment partner and many U.S. firms have been very successful. U.S. lifestyle and consumption habits are increasingly influential. U.S. products have a strong reputation for quality and technological innovation,

but U.S. firms are sometimes seen as lacking commitment to the market. It is important to be prepared for a competitive market environment.

As in many countries, personal relationships are fundamental to doing business in Argentina. Success requires taking the time to develop a close personal relationship with your representative, agent or distributor. Marketing U.S. products and services in Argentina requires the same level of research, preparation and involvement—if not more—as domestic marketing.

U.S. firms handicap themselves if their product literature, labels, manuals and other written materials are not in Spanish. When preparing Spanish-language materials, care should be taken to ensure the meaning is consistent for all Spanish-speaking markets in which they will be used. Argentine Spanish differs for example, from Mexican or Chilean Spanish, with unintended—and sometimes embarrassing—meanings resulting when a translator is not familiar with variations in the language from market to market. Always use a professional translator, and if possible, have a native Argentine speaker, such as your agent or distributor, review any materials before using them in the Argentine market. Any official document to be presented before the Argentine government authorities that is not in Spanish, requires attachment of an official translation into Spanish by a Sworn Public Translator (*Traductor Publico*) and its certification by the Translators Association.

Segmentation is key. It is increasingly difficult to establish a “typical customer”, due not only to new consumption habits, but also to the dynamics of income distribution and demography.

After analyzing the product and its uses and defining who the potential customers are, U.S. companies intending to export to Argentina should identify the geographical areas where the major users of the product reside. It should be borne in mind that 80 percent of the Argentine population is concentrated in urban areas, with over 35 percent living in Buenos Aires and its suburbs, and almost 10 percent in the cities of Cordoba, Rosario and Mendoza and their suburbs.

#### Distribution and sales channels

Channel selection should be based on the nature of the product and the company’s knowledge of the Argentine market. Generally, firms new to this market find it more effective to sell through a distributor.

Argentine distribution channels are rapidly gaining more efficiency through concentration and streamlining, due to increased competition and changes in the consumer buying process which require goods to be delivered at lower prices and in a timely manner.

Large firms generally buy directly from overseas suppliers, with smaller firms preferring to buy through intermediaries. Industrial equipment is sold by sales agents or through trade fairs, while consumer goods are increasingly sold through large outlets such as supermarkets.

#### Use of agents and distributors

The typical U.S. company markets through an Argentine agent/ representative or a distributor.

Distributors purchase goods directly from the manufacturer with the aim of reselling them. Therefore they bear the risk of sales to third parties. Unlike distributors, an agent or representative (equivalent to the U.S. sales agent) acts on behalf of its principal and promotes the principal’s business without actually taking title. Agents typically earn a commission or fee on sales. In contrast, distributors earn their margins on the difference between the price at which they purchase the goods for resale and the price at which they sell these goods in the market.

Working with a distributor has several advantages. Distributors can provide strategic support for the positioning of the brand in the market through advertising and promotion; they understand the local culture and can assist with after-sales services. This value-added service is increasingly important for customers and contributes to a positive image of the U.S. firm doing business abroad. Some importers and distributors complain that U.S. companies are sometimes inflexible on financing options for imports and providing promotion support in the local market.

In order for a U.S. company to decide what form of representation best suits them, they should consider the degree of leverage they can exert over the following variables: price control, channel network, policy, operational expenses and after-sales service, and the potential liability under Argentine labor law when designating an agent.

| Variables                                   | Representative                     | Distributor       | Branch/Subsidiary                                   |
|---|------------------------------------|-------------------|---|
| Form of Representation                      |                                    |                   |   |
| Price Control                               | Yes                                | No                | Yes   |
| Channel                                     | Yes                                | Yes               | Yes   |
| Policy                                      | Short Term                         | Short/Medium Term | Long Term   |
| Operational Expenses                        | No                                 | No                | Yes (No, in cases of large multinational companies) |
| After-sales Service (Well-served Clientele) | No/Yes (according to % of revenue) | No/Yes            | Yes   |

The Civil and Commercial Codes govern principal-agent relations. No special legislation has been enacted to regulate the cancellation of agency/distribution agreements, although cancellation of an agency agreement does imply costs under Argentine labor law.

The contract entered with agents/distributors should specify rights and responsibilities, the exclusive or non-exclusive nature of the relationship, geographical scope, description of the product or services included, and compensation.

Contracts do not require a specific format and can be executed verbally. However, given the complexity of the legal and commercial relations, contracts are generally given in writing through exchange of reversal letters or through a basic instrument.

If the distributor is granted exclusive representation in an area, this right must be explicitly provided for. Areas may be assigned according to geography, sectors of activity (public or private sectors), transaction volumes (large companies, retailers, etc.) and transaction modes (cash segment, home sale, etc.)

When the representative is a natural person, the agency may be regulated by Law 11,544 of 1929, as amended. In particular, Law 14,546 of 1958 extends Labor Law benefits to business agents. In this case the agent becomes an employee when any of the following requirements is fulfilled:

- when he/she sells in the name of his/her employer;
- when he/she sells at the prices and sales conditions established by the ones he/she represents (terms of sale defined by principal);
- when he/she receives a salary, travel allowances, fees or any other kind of compensation;
- when he/she usually and personally carries out his/her activity as a traveling salesperson;
- when he/she renders his/her services within a determined geographic area;
- when the risk of his/her operations is levied on the employer.

The parties may not elect foreign laws to govern the agreement. If a contract is executed abroad to avoid Argentine law, Argentine courts will not enforce it.

The Civil and Commercial Codes permit a principal to cancel an agency agreement at his or her discretion. However, the terminating party may be liable for damages resulting from a wrongful cancellation. All agreements, whether for a definite or indefinite term, should include a notice of cancellation clause.

Labor laws similarly require the service of a cancellation notice sometime before the actual cancellation date; otherwise, the principal may be liable to the employee for earnings that would have accrued during the notification period. In all cancellation cases, except those based on a just cause, the agent is entitled to one month's compensation for each year of service, payable in a lump sum.

In addition, when a contract is terminated after one year, the agent or the distributor is entitled to compensation for the lost customers, which will amount to 25 percent of the amount corresponding to a wrongful dismissal.

It is strongly recommended that a local attorney review any agreements before signed. To have legal standing in Argentina, documents must be either written in Spanish or translated by a Sworn Public Translator. Be sure the Spanish and English versions of any document are carefully reviewed for

concordance, so that both parties fully understand the content.

### Identifying a partner

The U.S. Department of Commerce Commercial Service assists exporters in finding the appropriate partners in the local market. Services available include:

- Gold Key Service, which assists export-ready companies in arranging appointments with pre-screened contacts that meet the company's particular objectives and optimize their time and travel expenses; additional services can also be included such as interpreters, briefings, custom market research, etc. as well as pre- and post-Gold Key counseling.
- Agent Distributor Service (ADS), a customized search for pre-screened qualified agents or distributors for U.S. exporters using the client's product data, pricing guidelines and other information.

Videoconference technology and services available from the U.S. Department of Commerce, offer enhanced opportunities to U.S. businesspeople that cannot travel to Argentina to establish initial communication and follow up with potential clients and partners.

Please see further information on CS Buenos Aires products and services, designed for U.S. companies to successfully enter this market at the end of this chapter.

### The retail network

Traditional sales channels can be largely grouped in two distinct sectors: mass sales characterized by mass-merchandisers—with certain differences with the United States regarding operations— with a defined but limited share of the market, and differentiated products, with many dissimilar markets, high segmentation and many operators that seek to protect their niches. This requires a clear definition of the role to be played in the market in order to succeed.

A large number of mergers, acquisitions and transfers have taken place during the past few years. This wave has impacted several industries, including apparel, house construction, decoration materials and music. The large groups acquiring Argentine companies are mainly interested in well-known brand names. Their strategy is to use these labels to expand throughout Mercosur. These groups are composed of Argentine funds, U.S. investors, other Latin American and European companies.

Traditional retail stores in Argentina are “Mom and Pop stores” scattered throughout local neighborhoods. In recent years they have lost ground to super/hypermarkets and to a lesser degree to self-service mini markets/drugstores in sales of food, beverages, cleaning supplies, toiletries, textile, apparel, and footwear products, electronic equipment, and household goods. Non-traditional food retailing (e.g. from self-service outlets to hypermarkets) now accounts for 70 percent of total food sales, while in 1970 traditional retail stores accounted for 90 percent of the market.

Hypermarkets and supermarkets, holding 67 percent of the mass retailing market, have been adopted by consumers based on a preference for practicality, that is, to shop in large areas where they can purchase any product they want, and for security.

Argentine consumers show openness to new formats. The market also awaits a growth of department stores that join all sectors—clothing, footwear, perfumery, and electronics—under the same roof. Discount stores present a very limited selection of articles of first necessity—food and beverages, hygiene and cleaning products—at very low prices.

Even if distribution channels continue to concentrate, the relationship between suppliers and large retailers is slowly leveling, and in some cases these transactions seem to take place on an equal-footing basis. At the same time that channels have concentrated, more players have entered the scene. However, according to the demographic and psychographic profile of the different Argentine cities, hypermarkets will coexist in the market with supermarkets, convenience stores and self-service shops.

#### Electronic commerce

E-commerce is believed to have great potential though it is still developing in Argentina. After a prolonged delay, Internet companies sprouted in Argentina in mid-1999. Half of the approximately 700 Internet start-up companies in Latin America are based in Argentina.

The first stage of development for Internet companies in Argentina showed a predominance of Business to Consumer (BtoC) companies. These firms specialized in sites for information, entertainment and small retail sales. The second stage began in January 2000 with the development and import of Business to Business (BtoB) sites. Currently, the Internet industry is in an intermediate stage of development, where firms are investigating the potential of the entrepreneur-clients as well as of the users, and given the more restricted access to investment funds, there will be a high percentage of mergers between firms.

#### Direct marketing

Direct marketing has great potential for development. It is estimated that in 1999, direct marketing generated \$400 million in Argentina, which accounts for an estimated 10 percent of total advertising expenditures for Argentine companies. In addition, telemarketing is quickly becoming a more common tool for businesses to contact their clients. In the coming years, it is expected to increase by 35 percent to 40 percent.

Mail order is still not widespread in Argentina. Duties and other taxes to be paid on international mail order merchandise depend on the nature of the product or shipment, and mail distribution prices are still high. Obstacles to the development of mail orders include payment methods (the most common being credit card) and delivery, which is not clearly regulated. Other means of delivery include local messenger services. However, increased competition and growing efficiency among postal carriers are bringing costs down. According to projections by one of the main postal companies, postal services are expected to expand 57 percent in the next four years.

Large retailers and specialized retailers—such as household appliance stores—print flyers and tabloids to lure consumers into their stores. Use of coupons is not yet a fully successful marketing tool, as redemption rates are still low.

However, use of credit cards is widespread. There are approximately 13 million cards in the market.

Some imported products are marketed directly through cable and satellite TV programs. Penetration of cable TV is very high, with a 57% national average. Technological advances towards use of fiber optics and the deregulation of telecommunications, which is to be completed by November 2000 will allow more dynamic interactive communication and should bring costs down.

Traditionally, it has been companies that sell cosmetics, kitchenware, fragrances and books that utilize direct marketing tools. However, the potential of the Internet may enable other firms to penetrate the market. The influence of the Internet on this market is yet to be measured statistically, but as more people gain access to the web, the opportunities for direct marketing firms are likely to expand. Possession of PCs and Internet are also growing. There are approximately 900,000 Internet connections (60% home; 40% office/school), with two to three users for each connection.

Even if electronic commerce were incorporated by the big retailing multinationals, its development is incipient. The linkage between electronic mail and direct marketing is not yet consistent, especially for small and medium sized enterprises (SMEs) (PYMEs in Spanish), which are slower to access technology. However, some SMEs have increased exports by 45 percent during 1999 through e-commerce.

#### Market research

The number of market research firms in Argentina is growing. Many international accounting and management firms, including U.S. companies, have branches and affiliates in Argentina. These firms provide complete business services including tax work, and many will undertake market research projects as well. (A brief list of market research firms is available in Appendix E.)

The Commercial Service Buenos Aires prepares sector and subsection reports (Market Overview Reports - MORs, Baseline Data Reports - BDRs), and other market reports (International Market Insights - IMIs) on an ongoing basis. (See Appendix F - Market Research, for a list of available reports).

Customized Market Analysis (CMA), prepared by the Commercial Service Buenos Aires, is a customized market survey for a specific product. Detailed answers to questions on products, overall marketability, and names of competitors, comparative prices, customary entry/distribution/promotion practices competitiveness and information on trade barriers may be requested.

The Market Entry Express (MEE) service provides customized market research tailored to the questions you want answered about the Argentine market, for a fraction of a CMA's cost.

The first point of contact for U.S. firms interested in these services should be the nearest U.S. Export Assistance Center or Commercial Service Buenos Aires. (To identify the U.S. Export Assistance Center nearest you, please call in the U.S. toll-free 1-800-USA-TRADE).

#### Franchising

The growth trend of this sector in Argentina renders it a good opportunity for U.S. franchisers. Development of franchising in Argentina has been uneven and shows a high level of concentration:

10-15 chains represent 36 percent of the franchises and 50 percent of total turnover. Potential for growth lies in the large number of retail stores (800,000), that will have to adopt safer business formats in order to survive competition from larger national and international competitors.

Franchise billings are forecasted to reach \$4.46 billion for the year 2000, as compared with \$3.21 billion in 1999. At present, it is reported that there are more than 200 franchisers, compounded by a growth of 2-3 new franchised stores each day. Retailing represents 13 percent of the franchising market, apparel franchises represent 14 percent, and restaurant and fast food, 20 percent of the market.

Over 60 percent of franchisers are local and 20 percent of them have entered other markets internationally. U.S. franchises account for approximately 22 percent of the market, while Spanish companies have a 2.4 percent market share. Areas where franchises have been most successful are: fast foods (20%), quick printing, dry cleaning (36%), car rental, bakery/pastry shop, hotels and apparel. Local franchises have been particularly successful in ice creams, "empanadas" pastries and education. Significant U.S. market players include McDonald's, Burger King, Wendy's, Futurekids, and Holiday Inn. U.S. franchises can be found in other sectors but are dwarfed by those in food services.

Franchise contracts are covered by the Argentine Commercial Code generally as opposed to being governed by specific legislation. The service, commercial trade market/name, expertise, and shared production elements are covered by contractual obligations on both franchiser and franchisee.

Elements of the contract include the license, methods/systems or proprietary information transferred to a franchisee, the supply of needed inputs, methods of sales, and quality standards, and ultimate control by franchiser of the contract elements.

Franchises have been successfully used in Argentina, but the obligations of the franchiser must be clearly delineated in the contract to avoid legal obligations associated with the operator, in case of default, bankruptcy, etc. Argentine law is unclear about franchiser obligations in case of bankruptcy or other commercial failings. Legal advice should be sought before signing contracts.

#### Licensing arrangements

Transfers of proprietary information from a foreign individual or company to an Argentine individual or company and transfers of patents or trademarks are governed by Law 22,426. This law establishes two categories of transactions: those between related companies and those with third parties.

Transfers of proprietary information between related companies are subject to prior Government approval. Transfers between non-related companies do not require prior government approval, but they must be registered for information purposes. While lack of approval does not invalidate these contracts, any payments made on the contracts will not be allowable for tax purposes and will be subject to a 27% withholding tax. Therefore, registry is recommended in order to obtain more favorable tax treatment.

#### Joint Ventures

Argentine legislation permits the establishment of temporary associations, equivalent to “joint ventures”, known as UTEs (Union Transitoria de Empresas). This is an association of two or more individuals or companies, which contribute assets to develop or perform a particular transaction within or without Argentina, using Argentina as its base of operations. It can also perform work or render services that are supplementary or accessory to its main purpose.

UTEs (joint ventures) are not considered to be companies or legal entities in their own right. Participants may be resident businessmen, locally constituted entities, or non-resident companies that have established a separate branch or other type of presence in Argentina.

A contract must be signed and registered with the Public Commercial Registry at the Office of the Inspector General of Justice (Inspeccion General de Justicia) in the Federal Capital, or its provincial equivalent. The contract must contain the objective, term of duration, name and other specific information regarding their partners’ responsibilities, financial contribution and many other specific clauses. It must also provide for the appointment of a legal representative in charge of management.

See below the different forms or structures local investment can take, whether as a “joint venture” or wholly owned. Also see Chapter VII: Investment Climate for further discussion.

#### Steps to establish an office

Foreign companies may carry out any single transaction. To carry on a habitual activity, a foreign company must establish a branch (sucursal) in Argentina. An individual must be appointed as the company’s legal representative, but assignment of capital to the branch is not necessary.

#### Legal structures commonly used by investors

Regardless of whether they are associated with local investors, foreign investors may do business in Argentina as individuals or through corporations, branches of foreign corporations, limited liability companies, limited partnerships, general partnerships and “joint ventures”.

Foreign corporations often operate in Argentina through a separately incorporated subsidiary rather than through a branch, primarily to reduce their potential liability. If a branch is used, all of the foreign corporation’s assets, not only its Argentine assets, may be subject to potential liability. In contrast, if an Argentine or foreign subsidiary is used, the foreign corporation’s liability would generally be limited to the assets owned by that subsidiary.

**Registration Procedures:** a law effective throughout Argentina regulates Corporations. Corporations are set up with the approval of at least two legal or natural persons, whether Argentine or foreign.

A corporation may not be a partner in a partnership. A corporation can usually be established within three to four weeks if capital is supplied only in cash. If supplied in kind, the corporation can be established within approximately two months.

The estimated total incorporation cost ranges from \$1,000 to \$2,000, including statutory books and excluding both professional fees and stamp tax (1 percent of capital).

A minimum of two founders, whether legal or natural persons, is required. There is no maximum limit on the number of founders. The founders of a company must report a domicile in Argentina for related proceedings.

A minimum of two shareholders is required. No maximum is prescribed.

The minimum initial capital is \$12,000, except for corporations engaged in banking, insurance or related activities. If the capital is supplied in cash, at least 25 percent must be paid in at incorporation, with the remainder payable in two years; if in kind, it must be fully paid in at incorporation.

U.S. firms considering establishing in Argentina are encouraged to investigate the tax and legal aspects of establishment with legal counsel before making any final decisions. Many good law firms in Argentina are available to assist a U.S. company; most have English-speaking lawyers and tax consultants. See Appendix E for a representative list of local attorneys.

#### Selling factors and techniques

When deciding on purchases, Argentine end-users look for a balance between price, quality, and after-sales service. Price is most often the predominant factor. Financing, however, is also extremely important due to the high interest rates prevailing in Argentina.

Novelty, flexibility, fast delivery and service are increasingly important to Argentine consumers.

The trend to value ecological products in search for a better quality of life is timidly but increasingly denoted in supermarkets shelves, offering products to satisfy those who care for the environment and their own health. Brand image with differentiated segmentation will prove crucial in this regard.

#### Trade promotion and advertising

An increasingly important component of the marketing-mix is promotion through visiting or exhibiting at local and regional trade shows, visiting trade shows in the U.S. attended by Argentine buyers, and participating in trade missions to Argentina. (See Appendix G - Trade Event Schedule, for a list of upcoming events.)

Single Company Promotions, a trade event service offered by the Commercial Service Buenos Aires, provides a good means for a single company to launch its product, make technical presentations or identify and cultivate key market makers.

Argentina has many advertising agencies and management consultants, but only the largest firms offer complete services. The leading agencies are members of the Argentine Association of Advertising Agencies (Asociacion Argentina de Agencias de Publicidad). Many major U.S. advertising agencies have branches or affiliates among the leading agencies.

Advertising in the print media is the most widely used method, although television and radio advertising are highly effective and most generally aimed at the Buenos Aires market. Many daily newspapers are published in greater Buenos Aires, including "Clarín", "La Nación" and "Ambito

Financiero”. Industry-focused publications are an effective mechanism for advertising.

Internet advertising, though in its beginning stages, is increasing in popularity and use among advertising firms. Although the number of firms that have internet access is relatively small compared to those in the United States, it is expected that in 2003 internet advertising and business to business communication via the internet in Argentina will exceed \$600 million dollars.

Major Daily Newspapers:

CLARIN

Tacuari 1842

(1139) Buenos Aires

Phone: (5411) 4309-7500

Fax: (5411) 4309-7319

Web page: [www.clarin.com.ar](http://www.clarin.com.ar)

Contact: Mr. Alberto Pazos, Commercial Manager

Established: 1945

Frequency: Daily

Circulation: 780,000 (1 million Sunday circulation)

AMBITO FINANCIERO

Av. Paseo Colon 1196

(1063) Buenos Aires

Phone: (5411)4349-1500

Fax: (5411) 4349-1505

Web page: [www.ambitofinanciero.com.ar](http://www.ambitofinanciero.com.ar)

Contact: Mr. Marcelo Astegiano, Advertising Director

Established: 1976

Frequency: Daily, except Saturday & Sunday

Circulation: 140,000

EL CRONISTA

Honduras 5663

(1414) Buenos Aires

Phone: (5411) 4778-6789

Fax: (5411) 4775-0531

Web page: [www.cronista.com.ar](http://www.cronista.com.ar)

Contact: Mr. Carlos Mallo-Leiva, Commercial Manager

Established: 1908

Frequency: Daily

Circulation: 68,000

LA NACION

Bouchard 557

(1106) Buenos Aires

Phone: (5411) 4319-1600

Fax: (5411) 4319-1611/2

30

Web page: [www.lanacion.com.ar](http://www.lanacion.com.ar)

E-mail: [lanacion@starnet.ar](mailto:lanacion@starnet.ar)

Contact: Mr. Daniel Goyeneche, Advertising Manager

Established: 1870

Frequency: Daily

Circulation: 250,000 (300,000 Sunday circulation)

#### LA RAZON

Rio Cuarto 1242

(1168) Buenos Aires

Phone: (5411) 4309-6000

Fax: (5411) 4309-6000 interno 3

Web page: [www.larazon.com.ar](http://www.larazon.com.ar)

Email: [larazon@arnet.com.ar](mailto:larazon@arnet.com.ar)

Contact: Mr. Hector Mauro, Advertising Director

Established: 1992

Frequency: Daily

Circulation: N/A

Comment: Afternoon paper

#### CRONICA

Av. Juan de Garay 140

(1063) Buenos Aires

Phone: (5411) 4361-1001/1051

Fax: (5411) 4361-4237

Email: [editor@cronica.com.ar](mailto:editor@cronica.com.ar)

Contact: Mr. Roberto Ares, Advertising Director

Established: 1963

Frequency: Daily

Circulation: N/A

Comment: Published by Editorial Sarmiento S.A.

#### BUENOS AIRES HERALD NEWS

Azopardo 455

(1107) Buenos Aires

Phone: (54-11) 4342-8476/77/78

Fax: (54-11) 4334-7917

Contact: Drey Spaulding

Email: [info@buenosherald.com](mailto:info@buenosherald.com)

Comment: English-language newspaper

#### Business Magazines:

#### APERTURA

Av. de Mayo 605, Piso 3

(1084) Buenos Aires, Argentina

Phone: (5411) 4331-6505

Fax: (5411) 4331-5208

Internet: www.apertura.com

Email: cartas@apertura.com

Contact: Carlos Nougues, Commercial Manager

Circulation: 18,000

Frequency: Every two months

Advertising Rates: rate info is standard rate, open to negotiation based on total contract. \$8,000 (Back cover, color), \$6,600 (fold-out, color), \$5,900 (one-page, color), \$5,000 (2/3 page, color), \$4,000 (1/2 page, color), \$3,100 (1/3 page, color), \$5,200 (one page, black and white), \$4,000 (2/3 page, black and white), \$3,100 (1/2 page, black and white), \$2,600 (1/3 page, black and white).

Comments: Mind Opener S.A.

#### MERCADO

Rivadavia 877, Piso 2

(1002) Buenos Aires, Argentina

Phone/Fax: (5411) 4346-9400

Email: info@mercado.com.ar

Contact: Monica Moccia, Advertising Manager

Circulation: N/A

Frequency: Monthly

Advertising Rates: available upon request

Comments: Published by Coyuntura S.A.

#### BUSINESS

Editorial Atlantida S.A.

Azopardo 579

(1307) Buenos Aires

Phone: (54-11) 4331-4591

Fax: (54-11) 4346-0202

Contact: Mr. Gustavo Sencio

Frequency: monthly

The public and private sectors operate radio and television stations. Argentina has 46 television broadcasting stations, plus 180 relay stations and about 1600 closed-circuit TV systems. Some 8 million TV sets are in use, with a potential audience of about 21 million. Argentina has 170 AM stations and 2000 FM radio stations. About 12 million radio sets are in use, with an estimated average weekly listenership of 21 million. In addition, 200 cable companies are operating throughout the country.

#### Pricing Products

Please refer to the Cost Breakdown example in Chapter VI.

Customized services and products can still charge price premiums demanded by the high end of the population in certain geographical areas. Argentina is characterized by high prices, high costs, and relatively low competitive pressures due to highly concentrated markets.

See Chapter VII. “Investment Climate - Protection of Property Rights”

### Sales service/customer support

Customer service is becoming a differentiating factor in selling a product. Argentine consumers are paying increasing attention to after-sales services—which is particularly important for electronic equipment—and to home delivery services.

### Government procurement

There is no requirement that the Argentine Government purchase from Argentine companies. The “Buy Argentino” program preference system was permanently eliminated in October, 1991. However, some provincial governments are announcing measures to buy from Argentine companies established in the local territory.

Government procurement in Argentina is subject to articles 55 through 64 of the Accounting Law (Ley de Contabilidad del Estado). However, a Decree Law (436/00) issued on June 16, 2000 established new guidelines for government procurement. These are to be fully implemented as of October 2000. Government purchases of less than \$100,000 are affected by direct invitation to bid; no tender is published. There are new simplified rules for purchases of less than \$10,000.

Purchases of between \$75,000 and \$1,000,000 require published tenders and an open bidding process. Purchases of \$300,000 or less may undergo private bidding, but any purchases greater than that amount must have an open public bidding process. When required, tenders are published in the Official Boletín/Gazette for a period of two to eight days. In the coming months, all public tenders and purchases will be published on Internet, within the homepage of the Ministry of Economy.

### Electric current

AC 50 cycle, 220 volts, one phase. In the case of three-phase current: 380 volts, 50 cycles.

### Services Offered by the Commercial Service

The Commercial Service Buenos Aires (CSBA) offers the services described below to assist you in doing business in Argentina:

**Customized Trade Contact Lists:** Using a variety of sources, including in-country databases and local expertise, we will provide a list of up to 10 potential Argentine distributors and importers of your product without charge. This free list contains basic information, such as company name, address, and phone/fax numbers. For \$100, we will provide a list of up to 10 potential partners with additional information, such as a description of the firm, the size, products/services, foreign companies represented, year established, territory covered, and sales revenue if available. We will provide this list in two to ten working days upon receipt of your credit card number and expiration date (American Express, Visa, MasterCard, and Discover). Please send us a detailed description of your

product so that we can target appropriate companies.

**Agent Distributor Search (ADS):** Based on parameters provided by you—like your product data, pricing guidelines and other information—, we will conduct a pre-screened search to identify 2-6 agents or distributors interested in representing your product or service in Argentina. The cost of this service is \$250. You should order the ADS through any of the Export Assistance Centers of the U.S. Department of Commerce in the U.S. Please call 1-800-USA-TRADE to locate the one nearest you. Turnaround time is 45 days.

**International Partner Search (IPS):** Firms having attractive WebPages may order an International Partner Search (IPS). Instead of mailing out catalogs, we will distribute the U.S. client's product information by referring prospective partners to the WebPages, downloading the WebPages to a diskette, or printing the WebPages using a color laser printer. The methodology would depend on the capabilities of the Argentine firm. The cost is \$400; turnaround time is 15 business days.

**Commercial Intelligence Express (CIE):** In addition to identifying the interested agents/distributors described in the ADS above, the Commercial Intelligence Express features additional services that we believe will increase the likelihood of your success. For an additional fee of \$125, we will add the following to your \$250 ADS:

- Arrange translation of your company's introductory letter.
- Determine relevant import tariff(s) or range of relevant import tariffs and provide an illustrative study of direct import costs. This will help you set appropriate pricing for this market.
- Using a specialized database, provide data on import trends and leading current importers of like products in Argentina.
- Provide a list of the major trade promotion opportunities in your sector (fairs, exhibitions, conferences) with dates, contact, address of organizers, target audience, attendance, booths' sizes and prices.
- Provide a list of publications with contact, address, target audience, and advertising rates. List useful Website, where you can find additional information.

**Video TurnKey (VTK):** Clients subscribing to an ADS plus CIE (\$250 + \$125) are entitled to two free follow-up interviews via videophone. We will schedule the interviews with any two companies that the ADS/CIE client selects from the list included in the ADS report.

Those clients needing quicker turnaround may order a full VTK. For \$375 we will prepare a list of at least 6 pre-screened Argentine companies interested in your product. You then choose 2 companies with which to conduct video conferencing. Please take note that pricing assumes that the phone calls are initiated and paid for by the U.S. company using the service. Likewise, the U.S. company pays for interpretation services, when these are needed.

**Gold Key Service (GKS):** This service allows U.S. firms to efficiently and effectively travel to Buenos Aires for face-to-face meetings with potential business partners. We will prepare a customized schedule of appointments with pre-screened potential agents, distributors, or other business contacts, according to your needs. This service also includes a briefing with Commercial Service staff, and additional information listed in numbers 2, 4, 5, & 6 of the Commercial Intelligence Express. The cost for this service is \$500 first day, \$450 each additional day of appointments. If

needed, we can arrange for an interpreter and a driver for an additional fee. (Interpretation: \$200 per day. Car/driver: \$100/\$150 per day, depending on mileage and hours worked. In both cases, the GKS client should pay the contractor in cash on termination of services.)

**Video Gold Key (VGK):** This service offers all the advantages of the Gold Key Service (GKS), without the expense of travel. We will arrange for pre-screened potential agents, distributors, or other business contacts to come to our offices for video meetings.

The cost of \$1,250 includes at least three quality meetings with pre-screened potential Argentine firms, up to four hours of video interaction (including a briefing with Commercial Service staff), and the additional information provided with the International Partner Search (IPS) mentioned above.

**Video Market Briefing (VMB):** This service provides U.S. companies with answers to five specific questions previously discussed and agreed upon among the client, his/her local Export Assistance Center, and the Commercial Service Buenos Aires (CSBA). The client will receive a written report within 10 business days as from receipt of payment and one set of product literature. The video meeting with the CSBA Sector Specialist follows to discuss findings. Price, which will be quoted to the company prior to providing the service, covers the customized research and up to one hour of video conferencing with the local Sector Specialist.

**Market Entry Express (MEE):** The MEE provides customized market research for companies wishing to have specific questions answered. Price is dependent on level of detail, availability of information, and time required to conduct the research. The average cost ranges from \$100-\$1,000, and will be quoted to the company prior to providing the service. We will normally provide the information requested in 2 to 10 working days.

**Customized Market Analysis (CMA):** Currently priced at \$2,400, the CMA provides a comprehensive, detailed study of the Argentine market for your specific product or service. The report will include information on distribution channels, competitors in the market, typical pricing, customer preferences, tariff and non-tariff barriers, contacts, and other key information needed to develop your market penetration strategy for Argentina. The report is confidential and remains proprietary.

**Payment Methods:** If you would like to order any of the services described above, please provide your American Express, Visa, MasterCard, or Discover credit card information, so we may start working on your request immediately. Please indicate credit card type and number, holder name, and card expiration date. Our telephone number is 5411-4777-4533/4534/4539, extension #2226/2227; our fax number is 5411-4777-0673; our e-mail address is Buenos.Aires.Office.Box@mail.doc.gov

Please keep in mind that to qualify for U.S. Government assistance your product/service must have at least 51 percent U.S. content. We would appreciate your confirming that your product or service meets this requirement.

In addition, we encourage you to contact the nearest U.S. Department of Commerce Export Assistance Center, where trade specialists can provide you with guidance on entering the Argentine or other international markets. Please call 1-800-USA-TRADE to locate the one nearest you.

**MONEY BACK GUARANTEE:** To further ensure the success of your ventures in Argentina, we

offer a money back guarantee. If you are not satisfied with the quality of our work, we will gladly refund your money.

## V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

### Best Prospects for Non-Agricultural Goods and Services

1. Telecommunications Equipment and Services (TEL)
2. Computers and Peripherals (CPT)
3. Medical Equipment (MED)
4. Airport Ground Support Equipment (APG)
5. Insurance Services (HCS)
6. Electric Power Systems (ELP)
7. Plastics Materials & Resins (PMR)
8. Travel and Tourism Services (TRA)
9. Materials Handling Equipment
10. Building Materials and Supplies (BLD)

Rank: 1

Name of Sector: Telecommunications Equipment

ITA Industry Code: TEL

|                        | 1998  | 1999  | 2000  | Growth |
|------------------------|-------|-------|-------|--------|
| Total market size      | 1,937 | 2,320 | 2,598 | 12%    |
| Total local production | 170   | 195   | 215   | 10%    |
| Total exports          | 33    | 35    | 36    |        |
| Total imports          | 1,800 | 2,160 | 2,419 |        |
| Imports from U.S.      | 435   | 583   | 653   | 5%     |

Exchange Rate: Since April 1991, one dollar equals one peso

Estimated Future Inflation Rate: 1 percent

1998 import market share: U.S.: 27 %, Sweden: 23 %, Germany: 22 %, Finland 7%, France 6%, Japan: 5 % Korea and others 7 %

Sources: The above statistics are unofficial estimates, based on Argentine Customs data and other

Telecommunications equipment suppliers reported revenues of \$1,600 million in Argentina during 1997, \$1,950 million in 1998 and \$2,300 million in 1999. This includes services (project engineering, installation, maintenance/repair and training), estimated to be 20 percent of total revenues. The main suppliers, ranked by sales in 1999 are Ericsson, Siemens, Lucent, Nortel Networks, Motorola, Nokia, Alcatel, Transistemas (distributor), NEC, Planex (distributor) and Cisco.

The Argentine telecommunications market was one of the first in Latin America to be privatized. In 1990, just before the privatization, there were 3 million telephone lines installed. By December 1999, there were over 7.5 million telephones lines installed. Moreover, Argentina is the country with the highest cable TV penetration in Latin America: 70 percent in Greater Buenos Aires, 45 percent nationwide. In June 2000, cellular penetration passed 10 percent.

In March 1998, the Government of Argentina announced the Liberalization Plan of the Argentine Telecom market, slated to fully open Argentina's market by late 2000, with the transition beginning in 1999. Since December 1999, the new Administration is facing the challenge of a smooth transition towards full deregulation in November 2000. In June 2000 a new regulatory framework was presented including licenses, interconnection, universal service and spectrum management. This new framework opens up the full range of communications services and creates a level playing field for new entrants. It is part of a government strategy to increase the use of Internet and dramatically reduce communications costs.

Succinctly, by the end of 2000, all basic telephony services will be completely open to competition according to Argentina's new regulatory framework and its commitments under the WTO. The already fierce competition for new customers and new service niches will only intensify in the coming years. This scenario presents huge opportunities for U.S. telecommunications firms and equipment suppliers.

The sub-sectors presenting the highest sales potential are: wireless equipment and services, data communication equipment, VoIP, personal communications services (PCS), telecom sites infrastructure equipment and services, fiber optic cables and accessories, tele-supervision of fiber optic connections, software for management of telecommunications networks, fixed wireless systems (for rural telephony), WLL, MMDS and LMDS technology; trunking systems, call centers, satellite transmission and reception equipment and decoders.

Rank: 2

Name of Sector: Computers and Peripherals

ITA Industry Code: CPT

|                   | 1998  | 1999  | 2000  | Growth |
|-------------------|-------|-------|-------|--------|
| Total market size | 1,590 | 1,609 | 1,738 | 10%    |

|                        |       |       |       |    |
|------------------------|-------|-------|-------|----|
| Total local production | 338   | 344   | 367   | 5% |
| Total exports          | 5     | 5     | 6     | 0% |
| Total imports          | 1,257 | 1,270 | 1,372 |    |
| Imports from U.S.      | 277   | 280   | 302   | 8% |

Exchange Rate: Since April 1, 1991, one dollar equals one peso

Estimated Future Inflation Rate: 1 percent

1998 import market share: U.S.: 22%, Brazil: 18%, Mexico: 15%, Other: 45%.

Sources: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

The Argentine market for computers and peripherals continues to be one of the fastest growing sectors in the Argentine economy, fueled by constantly increasing demand. The U.S. is the leading supplier with 22 percent of the import market. However, U.S.-brand products account for 67 percent of the market. Imports originating in subsidiaries of American firms based in Brazil and Mexico are rapidly gaining market share. The Brazilian devaluation of December 1998 has translated into increased imports from Brazil due to the resulting reduction in prices. A strong local currency -the Argentine peso which has been on a par with the U.S. dollar since April 1991- will continue to spur a sustained trend to re-equip with affordable advanced solutions.

Industry experts project that the IT industry will grow 10 percent over the next two years. Imports of computer products represent approximately 80 percent of total sales. Sixty percent of the PCs installed in Argentina are locally assembled clones with parts imported mainly from the U.S. Clones are used mainly in small and medium sized firms and in the home (soho) market. On the other hand, quality products from the U.S., especially brand name PCs, will continue to find good demand from the corporate sector. Thirty five percent of these are imported from the U.S.

The major end-users are firms in the financial, retail, telecommunications and services sectors as well as companies in the area of electric power distribution, natural gas and others. Companies that offer full solutions (and system integrators), including hardware, software, installation, and after sales technical assistance have better sales opportunities in the market.

The U.S. market share in servers (multi-users systems) and data communications equipment is around 90 percent. In the PC segment (single user) the share is decreasing significantly in terms of direct imports from the U.S. although many PCs imported from Brazil or Mexico have 80 percent U.S. components and bear a U.S. brand name. U.S. brands that dominate the market are Compaq, IBM and HP. Acer ranks fourth in sales of PCs. Assembly aside, local suppliers offer little competition. The most promising sub-sectors in 2001 will be: PCs, printers, servers, minicomputers, laptops, notebooks, CD ROM drives, CD ROM readers, multimedia kits, memories, hard drives, connectivity products, POS and others.

- The U.S. market share (including both U.S. origin and shipments by U.S. companies but originating in other countries) is about 70 percent of the Argentine computer import market. It is important to note that there is a gray market of computer parts (around 20 percent) which is not included in these estimates. Profit margins from the distribution chain are not included either. Therefore, total market size (multi-users, single users and data comm. equipment) for 1999 reached \$1.6 billion.

Rank: 3

Name of Sector: Airport Ground Support Equipment

ITA Industry Code: GSE

|                   | 1998 | 1999 | 2000  | Growth |
|-------------------|------|------|-------|--------|
| Total market size | 267  | 342  | 410   | 20%    |
| local production  | 98   | 122  | 152.5 | 25%    |
| Total exports     | 9    | 11   | 12    | 8%     |
| Total imports     | 178  | 231  | 300   | 30%    |
| Imports from U.S. | 76   | 114  | 171   | 50%    |

Exchange Rate: Since April 1, 1991, one peso equals one dollar

Estimated Future Inflation Rate: 1 percent

1999 import market share: U.S.: 49.3 %, Japan 8.1 %, Brazil: 12.0 %, Italy: 7 %. Other 23.6

Sources: INDEC and estimates based on Argentine Customs data and industry specialists.

In February of 1998, 33 Argentine airports were privatized under a Build-Operate-Transfer (BOT) contract in what has been, so far, the world's largest airport privatization program. An international consortium - Aeropuertos Argentina 2000 S.A. (AA2K)- formed by Ogden Aviation Services (U.S.), Corporacion America Sudamericana (Arg.) and SEA (Milan Airport Authority, Italy) have the concession for forty years (30 years plus 10 more in a possible extension). The anticipated investment in airport infrastructure, including ground support equipment, will exceed \$1.8 billion in the 1999-2004 period. Approximately 15 percent of this amount is being invested now to upgrade Ezeiza, Buenos Aires' international airport. The Argentine Air Force so far retains control of the management and operation of flight safety; It provides air traffic control, landing and navigational aids, communications, meteorology, and ground security and fire fighting.

The government and private sector are working to reduce costs and improve efficiency while keep-

ing pace with the steady growth in flight frequency and the increasing number of arriving and departing passengers. Charter flights and air cargo activities in Argentina are deregulated. This is fueling the growth of air cargo services and should facilitate the market entrance of international companies and contribute to the general expansion of the regional airport system. Historically, local firms have not actively developed this market. These factors are translating into strong demand for a wide range of handling and support equipment.

As part of the concession contract, AA2K has agreed to pay the Argentine government an annual fee of \$171 million that will allow for major infrastructure upgrades in 24 other airports and airfields that remain under government control. It is important to note that a few Argentine provinces, such as Santa Fe, Chaco, Neuquen and Tierra del Fuego, decided not to include some of their airports in the privatization package. The government intends to give in concession 18 of the 24 airports still under its aegis. This should happen in mid 2001 and should generate additional demand for U.S. airport operators and equipment suppliers.

Each airport has mandatory investments planned in order to meet minimum standards, corrective maintenance and capacity requirements. Typical capacity projects include the improvement and expansion of runways, taxiways and aprons; cargo and passenger terminal buildings; vehicle parking; fixed and mobile communication equipment; and revenue control systems.

Typical maintenance projects include improvements of airfield pavement markings and lighting; utilities and distribution systems (telephone, gas, electricity, sanitation and sewage); fire suppression systems; security equipment (luggage inspection systems, metal detectors, fencing, etc.) and navigational aids (such as beacons, VORs, DME, ILS, and precision approach path indicators - PAPI).

The Argentine aviation and aerospace market is principally made up of a few large private and government customers. The government intends to restructure the aviation sector, introducing significant institutional reforms and allowing for increased private sector participation in the civil aviation industry. This includes the creation of a civilian agency to take over from the Air Force its current civil aviation responsibilities.

Airport ground support products with the highest sales potential are airport security systems, luggage and passenger inspection systems, escalators, moving walkways, pneumatic elevators and conveyors, luggage tracking systems, insulated windows, flooring, and signage.

Rank: 4

Name of Sector: Medical Equipment

ITA Industry Code: MED

|                       | 1998  | 1999  | 2000  | Growth |
|-----------------------|-------|-------|-------|--------|
| Total market size     | \$650 | \$700 | \$777 | 11%    |
| Total Imports         | 227   | 250   | 277   | 11%    |
| Imports from the U.S. | 93    | 106   | 120   | 13%    |

Exchange Rate: Since April 1991, one dollar equals one peso

Argentina is the country that spends the most on health care in Latin American. Total health sector expenditures are estimated to be around \$21 billion per year, or over seven percent of GDP.

Public and private institutional efforts to modernize and upgrade obsolete equipment have resulted in increases in the purchase of foreign hi-tech equipment. Although currently slowly coming out of a recession, the Argentine market proves promising for U.S. exports of medical equipment in specific sub-sectors during the rest of 2000 and 2001.

Due to the deregulation of the union-run healthcare system that was announced in January 2001 and anticipating the pressures of free-market competition, many healthcare providers will improve their facilities in order to provide better services for their patients. In addition, it is predicted that more hospitals in the Argentine provinces will begin to compete with the health care “giant” of Buenos Aires; this will only be possible if provincial hospitals invest in medical equipment.

A list of U.S. medical equipment and supplies with the best sales prospects includes: tomographs, angiographs and other X-ray based equipment; MRI equipment and other electro-diagnostic equipment; specialized probes, catheters and cannulae; highly-tooled prostheses; artificial kidneys; pace-makers and cardiac defibrillators; audiophones; transfusion/infusion equipment; metal office and surgical furniture; and hi-tech dental and ophthalmic equipment.

Rank: 5

Name of Sector: Insurance Services

ITA Industry Code: INS

|                       | 1998  | 1999  | 2000  | Growth |
|-----------------------|-------|-------|-------|--------|
| Total market size     | \$570 | \$610 | \$660 | 8%     |
| Total Imports         | 285   | 300   | 330   | 10%    |
| Imports from the U.S. | 171   | 185   | 200   | 10%    |

Exchange Rate: Since April 1991, one dollar equals one peso

Foreign companies in general, and U.S. companies in particular, have found a new area for development in the Argentine insurance market. The emergence of private retirement and pension funds (AFJP) and workers insurance (ART - aseguradoras de riesgos de trabajo) has attracted attention from several large U.S. and European insurers. Because Argentine firms lack management experience, the world’s leading insurance companies began investing in the Argentine market after the Convertibility Plan and deregulation were introduced.

Fire insurance has had good growth in recent years. Boston, ranked 14<sup>th</sup>, is the highest ranked U.S. company in this segment. This would support the idea that U.S. companies are showing greater

interest in new forms of insurance, such as ART and life insurance. Although Property and Casualty is still much larger than the Life and Life-related sector (69% to 31%), Life has been growing at a decidedly faster rate (16% to 8%).

Rank: 6

Name of Sector: Electric Power Systems

ITA Industry Code: ELP

|                        | 1998    | 1999  | 2000    | Growth |
|------------------------|---------|-------|---------|--------|
| Total market size      | \$1,147 | \$907 | \$1,122 | 8%     |
| Total local production | 513     | 539   | 715     | 5%     |
| Total exports          | 54      | 40    | 42      | 10%    |
| Total imports          | 688     | 408   | 449     | 12%    |
| Imports from the U.S.  | 218     | 128   | 141     | 12%    |

Exchange Rate: Since April 1991, one dollar equals one peso

1999 import market share: U.S.: 31.4%, Germany: 7.2%, Japan: 11.0%, Italy: 7.1%, Brazil 7.0%, others: 29.9%

Sources: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

While short-term trends indicate slower investment in the electrical energy sector, officials of the wholesale electric market administrator CAMMESA are predicting continued expansion over the long term. CAMMESA anticipates the installation of an additional 8,000MW by the year 2007. At current costs, this would represent \$2 billion in investment in capacity alone and an additional \$8 billion in network upgrades. They foresee a total of one billion dollars in new investment annually, with Argentina's current exports of 2,000MW reaching 5,000MW in the next few years. Exports to Chile could increase by 200 to 300 megawatts. Exports to Brazil could increase by 1,200MW. This would require new generators, transmission systems, and conversion (as well as pipelines to move the gas to the generators).

Because little additional capacity is expected over the next few years on either the hydro or nuclear sides, thermal production seems set to increase its share gradually at their expense. This trend will gather momentum as the recession ends and demand growth recovers. But significant change is predicted within the thermal market because current investment heavily favors efficient technologies. Older plants and steam turbines are losing share to gas turbines and combined cycle plants. It is likely that gas technologies will ultimately capture the lion's share of the thermal market, relegating less competitive producers to serving less than 5 percent of demand. Upgrades of production facili-

ties will continue as marginally efficient plants pursue grid access and lower cost in an environment of falling prices. Further investment in transmission, and particularly distribution infrastructure are necessary to improve system flexibility while reducing the likelihood of catastrophic failure.

Yet another set of opportunities is arising from the privatization of the integrated state power companies serving the second and third most populous provinces, Cordoba and Santa Fe. As in the earlier privatization carried out by the national and other provincial governments, the new companies would be required to invest in system improvements.

Rank: 7

Name of Sector: Plastic Materials and Resins

ITA Industry Code: PMR

|                        | 1998    | 1999    | 2000    | Growth |
|------------------------|---------|---------|---------|--------|
| Total market size      | \$1,290 | \$1,500 | \$1,575 | 4%     |
| Total local production | 860     | 940     | 962     | 3%     |
| Total exports          | 330     | 290     | 280     | 4%     |
| Total imports          | 760     | 850     | 893     | 5%     |
| Imports from the U.S.  | 235     | 280     | 294     | 5%     |

Exchange Rate: Since April 1991, one dollar equals one peso

1999 import market share: U.S.: 31.4%, Germany: 7.2%, Japan: 11.0%, Italy: 7.1%, Brazil 7.0%, others: 29.9%

While per capita plastic consumption has been rising significantly, Argentina still records a low overall level of plastic consumption. Thus, most sectors should expand at rates exceeding those of GDP. The highest levels of growth should be expected in PVC and PET. Materials for packaging, agriculture, or construction should also grow at higher rates than other plastics.

The plastics industry experienced an investment boom between 1992 and 1994, and again between 1997 and 1998. While investment fell due to the severe recession in 1999, it will undoubtedly recover in the future due to the continuing increase in the local use of plastics.

Best prospects: Although PET for beverage containers and industrial uses is expected to continue to lead output growth among final products, there has been significant development of local production facilities (Eastman Chemicals, Shell, and Mafisa).

Industry experts expect above average growth in packaging materials, low-density polyethylene, and PVC and PVC final products. Low or average levels of growth (about at the level of overall GDP) are expected for high-density polyethylene, advanced industrial plastics, and polystyrene. Film that can be used in agriculture will also be a growth area. Engineering plastics and thermoplastic elastomers are mainly imported and are expected to grow at above average rates (and may be investment

opportunities).

Rank: 8

Name of Sector: Travel and Tourism Services

ITA Industry Code: TRA

|  | 1998    | 1999    | 2000    | Growth |
|--|---------|---------|---------|--------|
| Total market size                                  | \$1,290 | \$1,500 | \$1,575 | 4%     |
| Total Passengers<br>(Thousands of Travelers)       | 524     | 502     | 522     | 4%     |
| Average Expenditure<br>(Dollars Per Visitor)       | 1,600   | 1,600   | 1,600   |        |
| Est. Sales by U.S. Firms<br>(Thousands of Dollars) | 838     | 803     | 835     |        |

Exchange Rate: since April 1991, one dollar equals one peso

Sources: TIA (Travel Industry Association in the U.S. and U.S. Department of Commerce)

Although there has been a slight decrease in travel and tourism to the United States due to the recession Argentina is suffering since 1998, Argentina ranks among the top ten countries sending tourists to the United States. During 1998 the United States hosted more Argentine tourists than Europe, a trend that continued in 1999. Argentines are big shoppers, and it is estimated that they spend almost twice as much as European tourists when visiting the United States: \$ 1,600 per traveler.

The tourism visa waiver program for Argentine citizens contributed to increasing the number of tourists travelling to the U.S. Additionally, the launch of other gateways to the U.S., Chicago and Atlanta, should contribute to further growth in the number of Argentines travelling to the US.

The Open Skies Agreement, when implemented, between Argentina and United States will be a key factor in increasing Argentine tourism into the United States.

Argentina should increase during the next year in travel and tourism due to the number of flights and discounted air services, shopping opportunities and expanding business-related travel. The estimated growth rate for the year 2000 and beyond is four percent annually.

The top destinations visited by Argentines are: the State of Florida, the city of New York, the State of California, Chicago, Washington D.C. Atlanta and Las Vegas. Promising sub-sectors are Study in the U.S. and Business Travel to major trade shows and conventions. Travel to non-traditional destinations is a sub-sector that is being promoted aggressively, and therefore growing.

|                       | 1998  | 1999  | 2000  | Growth |
|-----------------------|-------|-------|-------|--------|
| Total market size     | \$249 | \$250 | \$275 | 6%     |
| Total imports         | 246   | 247   | 272   | 5%     |
| Imports from the U.S. | 67    | 47    | 51    | 5%     |

Exchange Rate: since April 1991, one dollar equals one peso

1999 import market share: U.S.: 19%, ; Spain 12%; Italy 12%; Japan 9%; Germany 9%; France 7%; Others 32%

Although U.S. market share has decreased in recent months, the market for materials handling equipment is anticipated to grow over the next few years due to the need for greater efficiency in handling, storage and distribution. U.S. suppliers entering the Argentine market at this key developmental stage should find good potential for their products and be able to capture emerging market niches.

Local materials handling equipment producers are adversely affected by high manufacturing costs and many have switched to importing products similar to what they made in the past, under protectionism trade policies.

U.S. products in general are well received due to their high quality standards and state-of-the-art design concepts. Buyers prefer products that anticipate and address their specific needs rather than faulty adaptations of products designed for other markets. Unfortunately, U.S. products are automatically associated with relatively high prices. In these cases, materials handling selling strategies must concentrate on quality factors, performance advantages and payment schedules.

Approximately 80 percent of materials handling equipment using internal combustion engines run on diesel fuel, the rest on CNG/LPG (Compressed Natural Gas - Propane), and almost none on gasoline. CNG is becoming widely used because of its low cost and resulting environmental benefits. Electrical equipment is used where explosion hazard or health considerations do not allow the use of internal combustion engines. Demand for these products is expected to five to ten percent annually.

Best Prospects: Overhead traveling cranes on fixed support, mobile lifting cranes on tires and straddle carriers, overhead traveling and transport cranes, work trucks fitted with crane, cable operated lifting machinery, lifting equipment and mobile passenger stairs such as cranes, forklifts and scissors lifts, basket lift equipment (man lift and cherry picker), maintenance platform equipment (mini lift hydraulic and mechanical combination), self propelled fork lift trucks & tractors to push airplanes (tugs), elevators and conveyors, baggage, luggage and cargo conveyor systems, aircraft passenger loading/jetway bridges, lavatory trucks, tank and service carts, attachments and parts for forklift trucks, mechanical signaling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields, and work trucks for ware-

houses.

Rank: 10

Name of Sector: Building Products and Supplies

ITA Industry Code: BLD

|                            | 1998  | 1999 | 2000 | Growth |
|----------------------------|-------|------|------|--------|
| Total market size          | 1,000 | 685  | 710  | 5%     |
| Total local production 675 | 467   | 483  | 5    |        |
| Total exports              | 125   | 70   | 75   | 7%     |
| Total imports              | 450   | 288  | 302  | 5%     |
| Imports from U.S.          | 97.7  | 59.2 | 68.1 | 5%     |

Exchange Rate: Since April 1, 1991, one peso equals one dollar

Estimated Future Inflation Rate: 1 percent

Last year's import market share: U.S.: 21.5%, Brazil: 18.6%, Spain: 9.4%, Italy: 8.9%. Other: 41.6%.

Sources: The above statistics are estimates, based on data provided by Instituto Nacional de Estadística y Censos-INDEC(National Statistics and Census Institute) and Camara Argentina de la Construcción (Construction Industry Trade Association).

Overall construction activity in Argentina grew by approximately 16 percent annually until 1999. From then on, the pace of new construction projects significantly slowed. The drop was mostly in government funded projects and was due to the fact that the Argentine economy was adversely affected by the devaluation of the Brazilian currency in late 1998. Brazil is Argentina's largest export market and the construction industry has suffered accordingly. Total growth for 2000 is estimated at five percent in a sector that accounts for 5.4 percent of the Gross National Product.

The outlook for 2000 and beyond anticipates an annual five percent growth in imports. The U.S. is the largest foreign supplier, with a steady 21 percent annual share. Other major competitors are Brazil, Spain, and Italy. At present, imports supply approximately 30 percent of the market One of the largest American home improvement chains will open its first stores by end 2000.

Local production of building and construction materials is very well developed and consists of

traditional products that are generally preferred by local builders. Construction and building practices are strongly influenced by Europe, especially Italy, Germany and France. This is particularly true in applications of concrete, reinforced concrete, and pre-stressed concrete structures. Industry experts indicate that technological innovation brought in by the recent growth in imported construction materials is simultaneously driving down costs and increasing quality. U.S. suppliers should note that imports from MERCOSUR member countries enter Argentina free of duties.

Although the national and provincial governments will be initiating many new construction projects, the principal driving force in the construction industry is the private sector. Following are some products with good sales potential: low cost home building systems, hi-tech window systems, insulated and acoustical roofing systems, mortar-less interlocking finishing systems, high quality doors and windows, hi-tech home and building security systems, high quality roof, floor, and wall finishes, garden equipment, luxury bathroom and kitchen furniture and equipment, and sprinkling systems.

#### Best Prospects for Agricultural Goods and Services

1. Planting seeds
2. Animal genetics
3. Dairy products
4. Snack foods
5. Wine and beer

#### BEST PROSPECTS FOR AGRICULTURAL PRODUCTS (\$ millions, unless otherwise noted)

RANK: 1

NAME OF SECTOR: PLANTING SEEDS

ITA OR PS&D CODE: 24SR

|                         | 1998  | 1999 | 2000 | Growth |
|-------------------------|-------|------|------|--------|
| Total market size       | 1,000 | 900  | 950  | 6%     |
| Total local production  | 980   | 910  | 955  | 5%     |
| Total exports           | 65    | 70   | 70   | 0%     |
| Total imports           | 85    | 60   | 65   | 8%     |
| Total imports from U.S. | 55    | 40   | 45   | 12%    |

Exchange Rate: One Peso equals one dollar.

Source: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

Although seed exports from the U.S. are expected to drop in 1999 due to the poor health of the local farm sector, seeds remain the single most important agricultural product imported into Argentina from the United States. The market for 2000 is expected to rebound slightly, based on projections of better prices and an improved world economy. The Argentine farm sector is going through many

changes to compete in the global grain market, with agricultural producers looking for ways to increase productivity. Therefore, the increased use of very good genetics and quality seeds provide a great opportunity for market expansion (including biotech varieties).

Market demand for forage seeds (especially alfalfa) is currently weak as result of lower cattle and farm gate milk prices. However, improvements in the short/medium term are expected to maintain a firm demand for U.S. seeds. Seed for cotton production is also expected to grow as local supplies are reported to be of relatively poor quality. However, soon a local subsidiary of a U.S. seed company will be multiplying GMO cottonseed in the country. There is a good distribution network in the country primarily operated by subsidiaries of U.S. companies and smaller local firms. Seed companies in Argentina are the major competition, with most selling locally produced seed. Australia, and to a smaller extent Brazil, are the main foreign competitors in a market dominated by the United States.

RANK: 2

NAME OF SECTOR: ANIMAL GENETICS (SEMEN & EMBRYOS)

ITA OR PS&D CODE:

|                         | 1998 | 1999 | 2000 | Growth |
|-------------------------|------|------|------|--------|
| Total market size       | 15   | 15   | 16   | 7%     |
| Total local production  | 9    | 9    | 10   | 11%    |
| Total Exports           | 1    | 1    | 2    | 100%   |
| Total imports           | 7    | 7    | 8    | 14%    |
| Total imports from U.S. | 6    | 6    | 7    | 17%    |

Exchange Rate: One Peso equals one dollar.

Source: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

Argentina has proven to be a very good market for animal genetics, especially semen. Imports of higher quality dairy genetics, among other factors, have shown to improve farmers' productivity. U.S. Holstein genetics (which in 1998 represented 70 percent of all imported semen from all countries and breeds) have become very popular among local dairymen. Beef genetics, primarily Angus, Red Angus and Polled Hereford, are significantly smaller, but still represent a good market. The cattle market, and especially farm gate milk prices, have dropped in the past months, forcing returns to shrink significantly. However, under a recuperated global economy, Argentine beef and dairy products are expected to expand to a greater number of markets. For this reason, local producers need to continue improving productivity and efficiency and one of the best ways is to use top genetics which can and are supplied by the U.S. primarily.

RANK: 3

NAME OF SECTOR: DAIRY PRODUCTS

ITA OR PS&D CODE: N/A

|  | 1998 | 1999 | 2000 | Growth |
|--|------|------|------|--------|
|--|------|------|------|--------|

|                         |       |       |       |     |
|-------------------------|-------|-------|-------|-----|
| Total market size       | 4,200 | 4,200 | 4,300 | 2%  |
| Total local production  | 4,504 | 4,515 | 4,685 | 4%  |
| Total exports           | 325   | 330   | 400   | 21% |
| Total imports           | 21    | 15    | 15    | 0%  |
| Total imports from U.S. | 8     | 8     | 10    | 25% |

Exchange Rate: One Peso equals one dollar.

Source: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

The dairy sector is one of the most dynamic sectors of the Argentine economy. Large investments have been made in the past few years by both Argentine and foreign companies, mainly from Europe. As a result, both processing capacity and the number of products available in the domestic market have expanded. This industry is expected to continue to grow at a rate of about 5 percent per year. However, domestic consumption is expected to expand at a slower pace, because of an already high per capita consumption and a strong economic recession. As a result, there will be a growing excess product for export. Many local and foreign dairy processors have incorporated modern technology in their plants. Although limited, exports of U.S. dairy products are expected to continue to grow. Apart from dried whey and rennet, novelty products have the best potential to address niche markets. Cream cheese, ice cream, frozen yogurt, etc. are widely accepted among the upper-middle and high socioeconomic strata. American and cheddar cheese also have good market potential. Most foreign competition comes from EU members.

Rank: 4

Name of Sector: Snack Foods

ITA or PS&D Code: N/A

|                         | 1998 | 1999 | 2000 | Growth |
|-------------------------|------|------|------|--------|
| Total market size       | 240  | 230  | 240  | 4%     |
| Total local production  | 255  | 242  | 255  | 5%     |
| Total exports           | 30   | 25   | 30   | 20%    |
| Total imports           | 15   | 13   | 15   | 15%    |
| Total imports from U.S. | 10   | 10   | 10   | 0%     |

Exchange Rate: One Peso equals one dollar.

Source: The above statistics are unofficial estimates, based on Argentine Customs data and other sources

Argentines enjoy salted snacks. Local companies, most of them subsidiaries of multinational firms, dominate the different segments of this category. However, there are niche markets that are well explored by imported products. Well-known foreign brands are able to compete against local products. Novelty products have great chances to succeed in this highly competitive market. Snack imports from the U.S. in the past several years have averaged approximately \$10 million annually.

U.S. products are generally recognized as of higher quality and novelty.

Rank: 5

Name of Sector: Wine & Beer

ITA or PS&D Code:

|                         | 1998  | 1999  | 2000  | Growth |
|-------------------------|-------|-------|-------|--------|
| Total market size       | 3,271 | 3,200 | 3,250 | 2%     |
| Total local production  | 3,400 | 3,365 | 3,465 | 3%     |
| Total exports           | 165   | 200   | 250   | 25%    |
| Total imports           | 36    | 35    | 35    | 0%     |
| Total imports from U.S. | 3     | 4     | 5     | 25%    |

Exchange Rate: One Peso equals one dollar.

Source: The above statistics are unofficial estimates, based on Argentine Customs data and other sources.

The wine (including sparkling wine) and beer market has been going through important changes in the past few years. Beer consumption has grown significantly as result of a shift from inexpensive wine (table wine). Per capita consumption doubled in less than seven years. Beer production in 1998 almost equaled that of wine in liters, reflecting the more than \$1 billion dollars of investment. Although the beer market is a mature market with a strong presence of domestic products (with a very strong domestic brand and several others international), there is room for new brands. Some retailers are importing lower-priced beer to compete against domestic products. On the wine side, the market is changing toward the demand for better quality and higher-priced products. U.S. wines, primarily Californian, are gradually coming into the market to supply a niche market of consumers who like to drink wines from all over the world. Sparkling wine demand is booming, as consumers are going for lighter, clearer carbonated alcoholic beverages. Domestic production is expanding, but there is a good demand for imported products, mostly coming in from Europe and Chile.

## VI. TRADE REGULATIONS AND STANDARDS

The basic legislation affecting import and export transactions is contained in the Customs Code (Law 22,415), which came into force in September 1981.

In the 1990s, the Government of Argentina eliminated most non-tariff barriers (such as government procurement and investment regime reform) and specific duties, and made major progress in reducing traditional border barriers (such as tariffs and import licensing). The average tariff was reduced to about 17 percent. Trade was opened to all potential exporters and importers, making Argentina one of the most open economies in the world. However, some new restrictions are starting to be introduced, specifically in the area of customs valuations. The Argentine Government has also been aggressive in its application of safeguards and specific duties, and introduced expensive new inspection requirements and product standards licensing procedures.

Generally, there are no preliminary requirements for imports and document requirements have been simplified substantially. However, certain types of goods may only be imported into Argentina with a permit from the pertinent authority, such as explosives, arms and ammunition, certain foodstuffs, including artificial sweeteners, pharmaceutical products, and most recently electrical appliances.

Companies wishing to import products into Argentina must be registered in the National Registry of Importers and Exporters. Registration procedures are relatively simple; however, exporters are advised to consult a customs broker.

#### Rebuttal procedure

Argentine Customs Law 22,415 provides a procedure whereby the importer may appeal to Argentine Customs, in the event that a customs provision has been incorrectly assessed (e.g., customs valuation, tariff classification, duties charged, etc.) The rebuttal should be addressed to the appropriate customs office and submitted in written form within ten days of occurrence.

#### Trade barriers

Despite the generally favorable environment for imports, authorities occasionally erect protectionist barriers. For example, in 1997 the government imposed specific duties on footwear as part of a safeguard investigation initiated at the request of domestic producers. Specific duties have also been applied to the textile industry and to toys.

In response to WTO (World Trade Organization) standards, and in accordance with article VIII of GATT (General Agreement of Tariff and Trade), the Argentine Government reduced the "Statistical Fee" from 3 percent to 0.5 percent imposed on most imports from countries outside MERCOSUR.

#### Non-tariff barriers

A major non-tariff barrier is the automotive industry tariff/quota system and the special regime for auto parts imports. The Argentine/Brazil auto agreement establishes preferential market access treatment for both countries to protect the MERCOSUR automobile industry. The quotas are likely to be phased out gradually by 2006, as part of a MERCOSUR-wide automotive regime. A complicated system of reciprocal obligations exists between Argentina and Brazil. Currently, there exists a trade-balancing scheme that determines import levels for auto assemblers. The Argentine government separately sets annual quotas for official distributors of foreign cars and auto dealers, as well as for other firms and individuals. Foreign auto manufacturers (including U.S. firms) in these countries receive national treatment.

In addition, temporary quotas exist on paper, pulp, and footwear. Prior government approval is required for imports of other sensitive goods such as pharmaceuticals, foodstuffs, insecticides, veterinary products, medical devices, and defense materials. Many food-related and agricultural imports, such as livestock, plants, bulbs, cuttings, rhizomes, roots, grains, and plant products, require a sanitary certificate issued by a competent authority in the exporting country. Products destined for human consumption must fulfill certain specifications and be labeled and packed accordingly. In 1997 the Argentine government put in place greater certificate of origin and consularization requirements on a broad range of imports generally covering but not limited to consumer goods, textiles,

apparel and footwear, printing machines, and machine tools.

Meanwhile, Argentina prohibited the entry of certain U.S. agricultural products, including fresh pork, Florida citrus and some California fruits. For more information please contact the Foreign Agricultural Service.

For intellectual property right barriers, please refer to Chapter VII. “Investment Climate - Protection of property rights”.

### Import license

On February 8, 1999, the Argentine Government implemented a new import license regulating 1,276 products. Per resolution MEOSP 17/99 the Government of Argentina requires the presentation of an import license (Licencia Automatica de Importacion-LAPI) for customs clearance purposes. The purpose of this measure is to provide Argentine customs officials with a lead-time to identify potential problem shipments, i.e. possible under-voicing or other unfair trade practices.

Products affected include certain organic and inorganic chemicals; plastics and products made of plastic; products made of paper or paperboard; textile products; apparel; footwear; wood and articles made of wood; books, newspapers and printed products; iron, steel and metal products; capital goods; furniture and toys.

To receive customs clearance, the form must be approved by the Under-Secretariat of Foreign Trade, of the Secretariat of Industry, Commerce and Mining. As a rule, the approving procedure takes 48 hours for air shipments and 72 hours for ocean shipments. However, for imports of sensitive products, subject to monitoring, the procedure may take up to 10 days. If the Ministry does not reply within the specified 10-day time frame, the importation is considered approved. This procedure is considered an automatic system of authorization, and it complies with the WTO. Neither importers nor exporters must pay a fee for this license. This license is valid for 60 days from the approval date. Only clean and complete original copies will be accepted; corrections, manual markings, edits or additions will result in non-acceptance. If discrepancies exist between this form and other relevant customs documentation, the Under-Secretary will not issue the required license. Each Harmonized Schedule (HS) Code, i.e. each different product, must have a different form. Any false information submitted in this form is punishable by the Customs Office pursuant to customs regulations.

The following are exemptions to this regulation:

- Import transactions of less than FOB \$800
- Goods imported under the “Postal Regime”
- Goods imported under the “Sample Regime”
- Goods imported under the “Automotive Industry Regime” to be included in a production process
- Goods covered by decree 732/72 “Science, Art, Technical and Human Health” and donations covered by the article 17 of Law 23.871.

For a complete list of HS codes regulated under this resolution, please contact Commercial Service Buenos Aires.

### Customs valuation

On January 1, 1995, Argentina implemented the MERCOSUR Common Nomenclature, known as the Nomenclatura Comun del MERCOSUR (NCM), which is consistent with the U.S. Harmonized System for tariff classification.

Since January 1, 1992, the Argentine tariff classification system —Harmonized System (HS)— has been used to specify tariff classifications. The HS was implemented on January 1, 1992 and is aligned with the WTO Customs Classification Code adopted in 1979.

Ad-valorem duties are assessed on the C.I.F. value of the imported merchandise (at the Argentine port or airport concerned). The average unweighted tariff is approximately 17 percent.

#### Fines and penalties

The Argentine authorities are concerned about over and under invoicing. These acts are subject to fines and penalties pursuant to customs and foreign exchange regulations. Penalties are also applied for false declarations as to the quantity, quality, or kind of goods or incorrect classification under the Harmonized Code of NCM (Nomenclatura Comun del MERCOSUR).

**Valuation system** On January 22, 1999, the Government of Argentina implemented a new valuation method to further combat under-invoicing and tax evasion. Resolution AFIP 335/99 sets a “reference price” for products covered by some 1,000 HS codes and establishes a “purple channel” that brands them for inspection. In fact, the resolution authorizes Customs authorities to select import transactions classified under this so-called “purple channel”, for inspection by the National Tax Authority (Direccion General Impositiva - DGI) in conjunction with the Argentine Customs Bureau (Direccion General de Aduanas - DGA) when:

- the declared price is lower than the “reference price”, as a result of physical verification
- the declared prices are lower than the prices accepted by the SIM (Sistema Informatico Maria – Official Software System for Customs Administration)
- claims from Foreign Trade Representative Institutions on specific products have been filed

Transactions affected by the “purple channel” are subject to a cash deposit or a bank guarantee covering the difference between the declared value and the reference value set by the DGA in import duties due. This deposit is held during the investigation process to define the “real” import value. The importer must present additional documentation (price list, price certificate, etc) evidencing the declared value.

This is a controversial regulation affecting many U.S. and other third country firms. Although many private companies and trade associations have initiated action against it, no further developments have occurred.

The “purple channel” constitutes the fourth possibility in the Argentine selective import control system. The other three are (a) the green channel, shipment enters the country without inspection; (b) the orange channel, shipment documentation is inspected; and (c) the red channel, shipment undergoes both physical and documentation inspection.

#### Tariff and Import Taxes

Argentina and its MERCOSUR partners established the MERCOSUR common external tariff (CET) on January 1, 1995. The CET ranges from zero to thirty percent, and until recently averaged 17

percent. Since January 1, 1998, as a temporary measure until December 31, 2000, Argentina and its MERCOSUR partners implemented a 3 percent tariff increase that affects all imports into Argentina, except those from Uruguay, Paraguay and Brazil (i.e. 14% + 3% of additional import duty). Tariff lines with 0 percent duty, capital goods, telecommunication and computing services are exempted.

The CET gradually eliminated all non-tariff restrictions and other limitations to trade among the member countries, reaching zero duty and removing all tariff restrictions for approximately 85 percent of traded goods. There is a list of a few products temporarily exempted from this status, mainly a few sensitive products, which are subject to gradual tariff adjustment over a five-year period. Capital goods and information-related technology are exempted until 2001, while telecommunications equipment will not be covered until 2006. In 1995 Argentina raised the tariffs on these goods to help counter an expected fiscal shortfall.

The structure of tariffs (which apply to the C.I.F. value in Argentina) is the following:

- 0 to 5 percent tariff on some goods not produced domestically, as well as on some specific items such as newsprint, certain petroleum products, and certain capital goods and telecom goods;
- 0 to 10 percent on agricultural products
- 0 to 18 percent on raw materials, intermediate industrial materials, and primary products;
- 0 to 14 percent on capital goods, IT products, and telecommunications goods;
- 10 to 24 percent on consumer durable and non-durable goods and 24 percent on most finished goods.
- 20 to 30 percent on household appliances, electronics and cars

Besides the tariffs, the following fees and taxes are applied:

- 0.5 percent statistics fee on the CIF value, except capital goods. This fee is not levied on MERCOSUR intra-zone trade.
- 21 percent Value Added Tax (VAT) on the CIF value plus tariff plus statistics fee.
- 10 percent advanced VAT on CIF plus tariff and statistics fee on all goods imported for resale. Goods imported directly by end-users are exempted.
- 3 percent anticipated profits tax on all retail goods, except for goods imported directly by users. Individuals pay 11 percent.

The CIF value plus the duty and the import statistics fee are the base for the application of domestic taxes. For this reason imports must be supported by the foreign supplier's invoice.

Domestic taxes (i.e., excise taxes) are levied on tobacco, alcoholic beverages, soft drinks, syrups, extracts and concentrates, television sets, tape recorders, record players, microwave appliances, among other products. Excise taxes are paid on the basis of sworn returns or through stamps affixed to the product. Rates vary considerably, reaching up to 60 percent of the retail price in the case of cigarettes.

The Illustrative Study of Direct Import Costs below is based on the case of goods imported for resale by a company.

## Illustrative study of direct import costs (in U.S. dollars)

|  |       |        |
|--|-------|--------|
| FOB Base Price   |       | 100.00 |
| Freight (8 percent)*   | 8.00  |        |
| C&F  |       | 108.00 |
| Insurance (1.5 percent of C&F)*  | 1.62  |        |
| Dutiable Base = CIF  |       | 109.62 |
| 17 percent Duty (or other applicable duty rate)                            | 18.63 |        |
| 0.5 percent Statistics Tax on CIF (not levied on capital goods)            | 0.55  |        |
| VAT Base   |       | 128.80 |
| VAT 21 percent   | 27.05 |        |
| VAT 10 percent (withholding on VAT Base)                                   | 12.88 |        |
| 3 percent advanced profits tax (withholding on VAT base)                   | 3.86  |        |
| Total After Taxes  |       | 172.59 |
| Port Costs (unloading, storage, etc. – approx. 6 percent on CIF)*,**       | 7.96  |        |
| Customs Broker fees (1.5 percent on CIF)*,**                               | 1.99  |        |
| Bank charges (Draft of Letter of Credit, approx. 2 percent of FOB)*,**,*** | 2.42  |        |
| LANDED COST _____  |       | 184.96 |

## Notes:

\* Average. Actual costs depend on type of merchandise, mode of transportation, and the value/weight or volume ratio. Please consult a freight forwarder, an insurance company, a port terminal, or a customs broker for exact costs.

\*\* These amounts include 21 percent VAT (Value Added Tax), charged on these services.

\*\*\* Bank charges assume letter of credit.

The offices that draft customs rules, regulations and tariffs are listed below:

- National Tax Bureau, Ministry of Economy

Dirección Nacional de Impuestos  
 Ministerio de Economía  
 Hipólito Yrigoyen 250, Piso 9, Of. 941 “A”  
 (C1064AAD) Buenos Aires, Argentina  
 Tel/fax: (54-11) 4349-6968/70

- Technical Administration, Argentine Customs Bureau

Subdirección General Legal y Técnica Aduanera  
Dirección General de Aduanas (DGA)  
(Administración Federal de Ingresos Públicos - AFIP)  
Azopardo 350, Piso 1  
(C1107ADD) Buenos Aires  
Tel/fax: (54-11) 4343-0100/9, 4331-7635/7606  
Web Site: [www.afip.gov.ar](http://www.afip.gov.ar)  
Contact: CPN Ruben Jose Lagger, Subdirector General Legal y Técnica Aduanera (Deputy Director General for Customs)

### Import Duty Reduction for Capital Goods

Resolutions 19/99 and 255/2000 of the Ministry of Economy reduced the import duty on certain telecommunications products, information technology industries, and capital goods to 3 percent, subject to approval by the Under-Secretariat of Foreign Trade. The products destined to benefit from this tariff reduction are determined on a case by case basis. The Under-Secretariat of Industry, Commerce, and Mining of the Ministry of Economy accepts lists of products submitted by industry associations on behalf of their members or by private companies directly. Lists should include products that are not manufactured within MERCOSUR. Such products, both finished and parts, new and used, must be included in the importer's production process or used when rendering services. The Under-Secretariat, upon receipt of a list, evaluates and approves/disapproves each product; each list is reviewed and responded to on an individual basis to the petitioning trade/industry association or private company.

Companies wishing to import products under this new regulation must submit to the Under-Secretariat proof of contract between the importing company and a certifying agency, indicating the importer's commitment to having the end product or service certified pursuant to quality standards set by the Argentine Standards Institute (Instituto Argentino de Normalización - IRAM).

Importers of products who have benefited from this new legislation will also be required to pay a 0.20 percent tariff of "proof of destination" at the time of customs clearance.

For a complete list of products affected by this regime please contact Commercial Service Buenos Aires.

### Turnkey Projects

Through resolutions ME 256/2000 and SICM 204/2000, the Government of Argentina established the Major Investment Projects (Grandes Proyectos de Inversión) regime, whereby manufacturing companies may import turnkey plants duty free. The regime, which will be in effect until December 31, 2000, was designed for companies looking to improve competitiveness by either opening a new manufacturing plant or expanding an existing one. The authority to approve/disapprove projects is The Secretariat of Industry, Commerce and Mining of the Ministry of Economy.

In order to be considered as an improvement in competitiveness, the project must:

- Reduce production costs
- Increase productivity
- Incorporate cutting-edge technology
- Improve quality
- Follow international standards of production activities

Goods imported under this regime must be new, part of a full and autonomous production line, installed on company grounds, and essential to the production process. Environmental equipment, necessary to eliminate pollution or contaminating elements from the air, soil or water in a production plant may also be imported under this regime. Spare parts may also be imported duty free provided their value does not exceed 5 percent of the total value of the imported equipment.

Projects included in this regime must comply with the following:

- 20 percent of the total value of goods included in the turnkey project must be locally manufactured products.
- Presentation of a contract between the importing company and a certifying agency, indicating the importer's commitment to having the end product certified pursuant to quality standards set by the Argentine Standards Institute (Instituto Argentino de Normalizacion - IRAM).
- Presentation of a technical report, issued by a well established scientific institution, evaluating the features of the project.

Goods imported under this regime are non-transferable and not re-exportable for a period of two years from date of importation. The Secretariat, together with the National Institute of Industrial Technology (Instituto Nacional de Tecnologia Industrial – INTI), may audit the production plant for up to two years after the plant has initiated operations.

Non-fulfillment of imposed conditions will result in a fine. The importer will have to pay the applicable import duties, plus a minimum penalty of 50 percent of that amount, and a 2 percent monthly interest rate.

#### Standard and Fixed Customs Fee

Per resolution 563/99, the Federal Bureau of Income Administration (Administracion Federal de Ingresos Publicos -AFIP, which comprises the Income Tax and Customs Bureaus) established that every operation or transaction documented under the Sistema Informatico Maria (SIM) must pay a single and fixed fee of \$10 (ten U.S. dollars). At this time, a few operations are still being transacted outside the SIM. Transactions covered by the following regulations are exempted:

- Dec. 855/97 (simplified export system for operations through border areas)
- Decree 161/99 (simplified import system)

#### Simplified Importation System

Decree 161/99 and Resolution AFIP 503/99 established an optional custom clearance method called the “Simplified Importation System”. Companies wishing to import through this system must be

registered in the Registry of Importers and Exporters of the Argentine Customs Bureau (Direccion General de Aduanas – DGA). As a requisite, the FOB value of a given operation must not exceed the sum of \$3,000 (three thousand U.S. dollars), and each importer must not exceed a maximum of four operations per month. Merchandise imported under this method must meet the following conditions:

- Must be new, unused, and not require reconditioning
- Must not be prohibited imports, nor be subjected to quotas or intervention by other agencies.
- Must not be protected by any regulation implying any type of exemption or tariff preference.

As of March 8, 1999, merchandise imported under this simplified method pays a unified 50 percent import fee on the CIF value, which covers import duties and any other applicable taxes and fees.

#### Imports of Equipment by Governmental Organizations

Only government entities and government-dependent institutions (such as public hospitals, public universities, etc.) are allowed to import duty free equipment and material destined to scientific and technical research, education and to the protection and advancement of human, plant and animal health. This waiver (granted by Decree 732/72 and extended by Decree 1436/98) remains in force until December 31, 2000.

Before clearance, it is mandatory to submit to Customs a certificate of exemption issued by the pertinent Ministry.

Goods imported under this regime are not re-exportable for a period of five years and have to be used only for the purpose stated in the certificate of exemption.

Non-profit organizations were excluded from this benefit by Decree 180/97 (March 7,1997).

#### Drawback

The drawback mechanism, which is gradually falling into disuse because of its cumbersome nature, was established to refund various import charges. The following charges are rebated: tariffs; the 0.5 percent statistical fee on imports; and the value-added tax of 21 percent. To benefit from this mechanism, the imported goods must be substantially transformed or embodied in the production of goods for export. We recommend that an agent or distributor handle this process.

#### Temporary Admission Regime (TAR)

The Temporary Admission Regime (TAR) allows duty free admission of goods such as commercial samples, packaging, pallets, containers and goods for exhibits. The exports must be completed within the stipulated time as set by customs in accordance with the type of imported merchandise. Failure to re-export goods will result in a fine. Merchandise may suffer changes, which increase or lower its value, but no export charges will be levied when goods remain unchanged. If value is increased, charges will apply on the added value. The transfer of property, possession, or use is not permitted. A bond will be needed to cover the value of import charges for the goods, which is canceled when the goods are re-exported.

Decree 1439/96 regulates the import of primary and intermediate goods into Argentina for use in

export production, applying special procedures (Solicitud de Tipificación por Admisión Temporal). These exports must be completed within 180 days from the date of temporary admission, which may be extended for an additional 180 days.

Argentina is not included in the A.T.A. (Temporary Admission) Carnet program of the U.S. Council for International Business to import goods, display booths, and literature for display in local trade shows for subsequent re-export. The TAR regime should be used for this purpose. Many trade show organizers, however, obtain a special waiver from the Ministry of Economy by declaring an event “of national interest”.

Decree 1001/82 and Disposition 34/98 of the Argentine Customs Bureau (Dirección General de Aduana – DGA) includes imports of new or used capital goods destined to production under the Temporary Admission Regime. The importer must fulfill the following requirements:

A) Present a contract accrediting:

- Ownership of the equipment by a third party in the exporting country
- Mandatory re-exportation of the equipment
- Contract length, up to three years, renewable for another three-year period.
- Certification by the Argentine Consulate, if signed in the exporting country, or notary public, if signed in country.

B) Present a sworn statement attesting that a temporary higher demand exceeds present production capacity or that lack of adequate technology prevents him/her from satisfying that temporary demand. If the equipment is destined to public works, the importer must present a certificate issued by the awarding authority.

### Samples and Advertising Material

Samples sent by parcel post or in other ways are free of duties and taxes when valued at less than CIF \$100. A tax is imposed on samples valued from \$100 up to \$20,000; anything over \$20,000 is not considered a sample item. Advertising material is subject to duty when imported into Argentina. Documents required for imports are also mandatory for sample clearance; the commercial invoice must indicate “no commercial value”. It is understood, however, that in practice, single catalogs and price lists sent through the regular mail as “printed matter” to individual addresses are rarely held by customs for duty.

Bulk packages of catalogs may be denied entry, as the government is trying to promote local printing.

Some products are subject to special regulation or restrictions for entry into the country (i.e. foodstuffs, pharmaceuticals, chemical products, and cosmetics). Restrictions applicable to imports are also applied to samples.

The services of a customs broker are not mandatory to clear shipments and samples (with or without value) or for advertising materials received by parcel post from abroad not requiring foreign exchange.

## Sales Samples

Samples brought into Argentina by a traveling sales representative are admitted free of duty if they have no commercial value. If the samples have value, a bond may be given for the amount of the duty that would be payable on such merchandise. Such bonds are valid 90 days and may be renewed for an additional 90 days. Upon re-exportation of dutiable samples covered by bond, the amount paid is refunded. The handling of samples under a bond should be entrusted to a customs broker.

Personal working elements such as computers or tools must be registered at customs at the time of entry and again on departure from Argentina.

## Standards and Conformity Assessment

### Legal Framework

The legal framework in Argentina (Decree 1474/94) for standards related activities created the National System for Standards, Quality and Certification with a private sector standards organization and a private sector accreditation organization. The Argentine Standards Institute (Instituto Argentino de Normalizacion - IRAM) was designated as the official national standards development body for the Republic of Argentina. The Argentine Accreditation Organization (Organismo Argentino de Acreditacion - OAA) initiated operations early in 1996.

### Voluntary Standards

IRAM has been in operation since 1935 and is the only developer of national voluntary standards in all fields. Reliance on international standards as a basis for developing national standards is an increasing trend in Argentina that will continue. While, many IRAM standards are compatible with U.S. standards, many others are patterned after requirements of various European countries and have placed U.S. products at a significant disadvantage.

IRAM is also a certification organization, both for products and systems. Its mark, the “Sello IRAM” is widely recognized in the country as indicating conformity to an IRAM standard.

In Argentina, many standards are voluntary. The buyer and seller share responsibility in determining what product standard is applicable. Products conforming to U.S. standards may, or may not be acceptable. Reflecting long-standing tradition and practice, products that meet European requirements are often preferred. This preference may be expressed in procurement specifications, in customary design and construction practices, and now in certification requirements.

### Technical Regulations

In 1998, the Argentine government embarked on a new path of issuing regulations mandating that certain products meet safety requirements.

Low voltage electrical equipment was the first product category subjected to safety regulations and mandatory certification (Resolution 92/98). Regulations have also been issued for toys, shoes, gas

appliances and products, construction steel, elevators, energy consumption and noise labeling of appliances, closures for dangerous products, and personal protective equipment. Since the new administration took office in December 1999, efforts seem to be concentrated in implementation rather than in adding new product regulations.

Resolution 92/98 covers all low voltage electrical equipment but subsequent modifications have excluded various categories of products. However, the vast majority of electrical and electronic products are still subject to this regulation. Evidence of compliance with the regulation is through mandatory product certification. Resolution 92/98 provided for a phased 3-stage implementation. In June 2000, Phase 2 is about to come to an end, but it is widely believed that it will be extended. Phase 2 provides for a type-certification, while Phase 3 requires full third-party certification.

### Testing and Product Certification

There is no legal mandate to date to retest non-regulated products that have been approved in their country of origin. For non-regulated products, some U.S. marks and product certifications are well known and accepted in the country. As with standards, any certification that may be required in non-regulated sectors is a contractual matter to be decided between the buyer and the seller.

Traditionally, product certification in Argentina has been mostly voluntary with few active organizations, including IRAM. However, this has changed dramatically.

Entities that engage in certification for regulated products must be accredited by the OAA and recognized by the Government. Testing laboratories must similarly be accredited and recognized. To date, there are a number of such entities operating in Argentina. An official safety mark that must be affixed to products to show they conform to the regulations has been issued.

INTI, the National Institute of Industrial Technology (Instituto Nacional de Tecnologia Industrial) is a government testing and research laboratory that participates in standards development and performs product testing and certification. Due to the short supply of independent laboratories in Argentina, INTI is viewed as a prime testing and calibration laboratory for the country.

INTI's position attracts interest and substantial technical support and cooperation from foreign countries, most notably Germany, Japan and the U.K. These, and other countries such as France, regularly offer scholarships for long and medium term training courses abroad. Other Argentine private and public organizations also benefit from third country largesse.

### Standards and Regulations in MERCOSUR

Argentina, as an active MERCOSUR member, participates in the development of both MERCOSUR standards and regulations.

MERCOSUR standards are developed by a committee where the private sector standards institutes of Argentina, Brazil, Paraguay, and Uruguay are represented. The MERCOSUR Standards Association has an Executive Secretariat located in Sao Paulo. Most of the voluntary standards published deal with steel products and cement and concrete. Several hundred additional standards are at different stages of preparation or in the work plan with many in the electrical safety area.

Regional technical regulations are developed and/or harmonized within the MERCOSUR Sub Working Group 3 in the following fields: automotive, foods, metrology, safety of electrical products, toys and others. Other working groups are focused on telecommunications and health issues. To be applicable, harmonized MERCOSUR regulations must be adopted by each country.

#### International Agreements

Argentina, a member of the World Trade Organization (WTO), signed the TBT agreement on Technical Barriers to Trade, affirming its WTO obligations to use international standards to the maximum extent possible. Responsibilities under the TBT agreement include the establishment of a national inquiry point to serve as a central location for information on standards-related issues, including proposed mandatory regulations. The Argentine inquiry point is in the Secretariat of Industry, Commerce and Mining (see Information Sources below). The U.S. inquiry point is the NCSCI, located at NIST (see Information Sources below).

#### Agricultural and Health-related Products

Please note that agricultural and health-related products follow different rules. Medical devices, pharmaceuticals, and foods are the purview of the National Administration of Drugs, Food and Medical Technology (Administracion Nacional de Medicamentos, Alimentos y Tecnologia Medica - ANMAT). Also, please refer to the section below on Agricultural Products.

#### Information sources

For information on Argentine and MERCOSUR standards, contact:

IRAM, Instituto Argentino de Normalizacion  
 Peru 552/556  
 (C1068AAB) Buenos Aires, Argentina  
 Phone: (54-11) 4381-4424/4576  
 Fax: (54-11) 4383-8463  
 E-mail: [iram4@sminter.com.ar](mailto:iram4@sminter.com.ar)  
 Web Site: <http://www.iram.com.ar>  
 Contact: Ing. Jose Francisco Lopez, Director General  
 Comments: Argentine Standards Institute

Asociacion MERCOSUR de Normalizacion  
 Av. Mario de Andrade 664  
 01154-060 Sao Paulo – SP (Brazil)  
 Phone: (55-11) 823-9846/42  
 Fax: (55-11) 823-9689  
 E-mail: [secexecmn@target.com.br](mailto:secexecmn@target.com.br)  
 Comments: MERCOSUR Standards Association

For information on the WTO-TBT inquiry point, contact:

Dirección Nacional de Industria  
Ministerio de Economía  
Av. Julio A. Roca 651, Piso 1, Sector 25  
(C1067ABB) Buenos Aires, Argentina  
Phone: (54-11) 4349-3655/3643/3644  
Fax: (54-11) 4349-3644  
Contact: Lic. Alberto Valle, Director  
Comments: National Industry Bureau, Ministry of Economy

For medical products, contact:

ANMAT  
Avda. de Mayo 869, Piso 3  
(C1084AAD) Buenos Aires, Argentina  
Phone/Fax: (54-11) 4345-7145; 4340-0800  
Fax: (54-11) 4342-4578  
E-mail: [postmaster@anmat.gov.ar](mailto:postmaster@anmat.gov.ar)  
Web Site: <http://www1.anmat.gov.ar>  
Contact: Dr. Andres Pinard, Deputy Director  
Comments: National Administration of Pharmaceuticals, Foods and Medical Technology

For information in the U.S., contact:

National Center for Standards and Certification Information (NCSCI)  
National Institute of Standards and Technology (NIST)  
Gaithersburg, MD 20899  
Phone: (301) 975-4038  
Fax: (301) 926-1559  
E-mail: [ncsci@nist.gov](mailto:ncsci@nist.gov)  
Web Site: <http://nist.gov>

American National Standards Institute (ANSI)  
11 West 42nd Street  
New York, NY 10036  
Phone: (212) 642-4900  
Fax: (212) 398-0023  
Web Site: <http://www.ansi.org>

#### Agricultural products

For trade in agricultural products, several steps must be correctly taken to ensure that U.S. food and fiber can be sold in the Argentine market. The following information is meant to be a general guideline; each exporter should make the appropriate consultations and seek qualified advice before doing business. For more information, please consult report AR9076, which can be obtained from the web site [www.fas.usda.gov](http://www.fas.usda.gov), or from the Foreign Agricultural Service's (FAS) Office of Agricultural Affairs in Buenos Aires.

## General Regulation and Controlling Entities

The Argentine Food Code (Codigo Alimentario Argentino - CAA) regulates local food production and marketing. However, the CAA resolutions are being gradually replaced by MERCOSUR standards, which are based on the norms of:

- 1) the European Union
- 2) the CODEX, and
- 3) the Food and Drug Administration (FDA).

There are three official entities that regulate sanitary and health related traits, quality, stability, packaging, and transport of food products in Argentina. They are:

A. The National Service of Agricultural Food Health and Quality (Servicio Nacional de Sanidad y Calidad Agroalimentaria - SENASA) handles fresh, chilled, or frozen products and by-products of animal, plant and seafood origin. It also handles canned products of over 60 percent animal origin and food preparations of over 80 percent animal origin.

B. The National Food Institute (Instituto Nacional de Alimentos - INAL), regulates processed food products that are prepared for direct human consumption, health supplements, and both alcoholic and non-alcoholic beverages, with the exception of wine.

C. The National Wine Institute (Instituto Nacional de Vitivinicultura - INV) exercises control over the genuineness of wine and wine products during their production, manufacturing, fractionating, and marketing stages.

SENASA and INAL have overlapping responsibilities. FAS recommends exporters work with their importers to ensure that their products are registered with the appropriate organization.

Regarding labeling, Argentine regulations vary depending on the type of product, and in general demand data on the importer, country of origin, ingredient declarations and preservation information, among other details. Agricultural products also have registration (both for the importer and product) requirements. More specific information can be obtained from the FAS office in Buenos Aires, and the potential exporter is encouraged to consult with the potential importer, too. There are some regulations specific to nutritional labeling, and they are as follows:

The standard U.S. nutritional fact panel is acceptable but not yet required in Argentina for imported food products. For domestic products, nutritional labeling is voluntary.

At the present time, no nutrient content claims (i.e. low in saturated fat), absolute descriptors (i.e. high-fiber or low fat), or relative descriptors (i.e. “reduced” sugar or “light” in sodium) are required, approved, or prohibited by the GOA. However, they are being reviewed under the MERCOSUR standards. Thus, these claims are analyzed on a case-by-case basis.

For packaging, Argentina does not officially have any special requirements or preferences. It is a marketing issue where the consumer determines what type of package/container she prefers. In

addition, there are no official Municipal Waste Disposal Laws or product recycling regulations that affect imported products.

For food additives, Argentina uses a positive list of food additives. Article 2 of Decree 2092 of October, 1991, states the following:

“... all foods, condiments, beverages, or their raw material and food additives that are manufactured, fractionated, preserved, transported, sold, or exposed, must comply with the CAA (Argentine Food Code) requirements. When one of those is imported, the CAA requirements will be applied. The GOA also considers products from countries that have food controls comparable to those of Argentina, or when they use the Codex Alimentarius (FAO/OMS) standards, to be in compliance with Argentine standards.”

All additives used must be included in the MERCOSUR positive list of food additives. If the additive in question does not appear on that list, its registration can be requested to INAL. This list varies by product and can be obtained from an importer.

For pesticides and other contaminants, pesticide tolerances are regulated by the CAA, which is based on the Codex Alimentarius (FAO/OMS).

Other regulations require that before the product is shipped, it must undergo a “pre-shipment inspection” in the country of origin, carried out by an international certification company appointed by the GOA. This company’s objective is to compare the merchandise shipped with the price paid for it in order to avoid under-invoicing. These companies have offices in all major U.S. ports.

Health supplements that contain certain ingredients should have a “warning” sign and specific literature determined on a case-by-case basis. INAL regulates this requirement according to the CAA. U.S. bar codes can remain on the package, and most retailers make use of them.

Product samples with no commercial value (under \$100) do not pay import duties. Regular mail should be used. Post recommends exporters coordinate with their importers/agents on this matter. Import procedures vary by product and will be channeled through different agencies accordingly. A summary is given below. Please consult with the relevant authorities before doing business.

#### General Import Requirement by Product

Depending on the type of product, Argentina requires various steps to be taken, and information provided. Below, some of the main ones are given.

#### Products imported through SENASA:

- Including fresh, chilled, or frozen products and by-products of animal, plant and seafood origin)

(SENASA Resolution No. 815/99) An import permit is required to import products and by-products of animal origin into Argentina. The permit is obtained from SENASA and should be requested by an importer who has already been registered at SENASA.

U.S. products and by-products of animal origin can only be imported from U.S. plants approved by the United States Department of Agriculture (Food Safety Inspection Service) and Food and Drug Administration, and must be accompanied by an official health certificate. While SENASA accepts product from any FSIS/FDA-approved facility, it reserves the right to prior inspection and approval of the establishments of origin by SENASA, when deemed necessary.

An import permit must be requested of SENASA by the importer. This permit includes the importer and product registration numbers. After the permit is granted, and within five (5) days prior to product's arrival at the Argentine port of entry, the importer must advise SENASA of the shipment's arrival. During the following fifteen (15) days the importation should be completed. Only with a strong justification can this time period be extended.

- Processed meat products

The same data applies to processed products such as ham, sausages, canned products, etc. In this case, a full description of the product composition in Spanish is required (i.e. percentage of each of its major ingredients, approved by the official sanitary service).

- Fresh, chilled and frozen pork and lamb meat

A protocol— which will allow U.S. fresh, chilled and frozen pork imports into Argentina — was being finalized in late 1999. Lamb meat from the United States is prohibited entry into Argentina due to Scrapie disease.

- Fruits and vegetables

The importer must request from SENASA an inspection form providing the tentative date of arrival of the product. When the shipment arrives, it is verified that the import permit (AFIDI) is correct, and the phytosanitary certificate has been signed by an Animal and Plant Health Inspection Service (APHIS) official inspector (not by an APHIS state inspector). An inspector from SENASA carries out a visual inspection of the merchandise in order to confirm that it is free of quarantine pests or diseases, and then the product is authorized to enter Argentina. SENASA then issues an import certificate for Customs to release the product.

#### Products imported through INAL:

- Processed foods, and alcoholic and non-alcoholic beverages, except wine:

Product and importer registration is required prior to importing a product into Argentina. The product must be registered by an importer who has already undergone his own registration process at INAL. If the product shows no problems, its registration should be ready in less than thirty (30) days.

In the case of health supplements, items (A), (B), and (C) mentioned above also apply to them with slight differences. Instead of the RNE, importing establishments need to obtain from INAL an RNESD (National Register of Establishment of Health Supplements). And instead of the RNPA, an RNSD (National Register of Health Supplements) is needed.

Products imported through INV:

- Wine:

The importer must be registered in the INV and must request an import permit including volume and analysis number and must affix a sticker to each bottle.

Once the product arrives at the warehouse, the importer must request an analysis and shipment control by the INV. If the analysis is correct, the INV issues a Certificate of Free Circulation. Then, the product is ready to be marketed.

### Anti-Dumping and Countervailing Duty Laws

Regulations define “dumping” to exist when the export price of imported merchandise is lower than the comparable sales price in normal commercial operations of identical or similar goods destined for consumption in the domestic market of the country of origin.

The import for consumption of goods that benefit from a subsidy abroad may also be subjected by authorities to a compensatory duty when they cause, or threaten to cause, serious damage or to delay the commencement of a productive activity in Argentina. Argentine fair trade laws are based on Article VI of the WTO under resolutions 281/97 and 622/95.

### Labeling Requirements

The Argentine law that establishes labeling requirements for products in Argentina is Law 22,802/83 of the Direccion de Lealtad Comercial (government agency roughly equivalent to the U.S. Better Business Bureau), under the Secretariat of Industry, Ministry of Economy. This body’s mission is to ensure the transparency of business transactions. It states and ensures that product labeling bear all the information that the customer needs, and that information is true and valid.

Law 22,802 of 1983 supersedes Law 11,275 of 1923, known as the Merchandise Marking Act. The current law states the general and basic labeling requirements for domestic or imported products, as follows:

Article 1: - All packaged products sold in Argentina will bear the following information on a printed label in a visible manner on the package/container:

- a) Name (description of product)
- b) Country of origin
- c) Quality, purity, or blending description
- d) Net weight

All non-packaged products commercialized in country will have to comply with requirements a), b) and c), as stated above.

Article 2: - Products manufactured in country will bear a mark that reads “Industria Argentina”. If

products have been manufactured with foreign raw material, or any other element that does not modify the nature of the product, it will still be considered an Argentine product. Indication of the foreign origin of the component/s of the final product is allowed. However, it has to be less visible than the original label.

Article 3: - Imported products that undergo a final process of assembly, finishing, etc. in Argentina which does not modify the nature of the product will be considered of foreign origin. It is optional to put a statement indicating such a process. Imported products manufactured with elements of different countries will be considered as originating from the country in which it acquired its nature.

Article 4: - Labels of all products commercialized in country should be in Spanish, with the exception of foreign words/phrases of common usage in trade. Imported products may keep the original label of country/language of origin but should have a sticker/label attached to the package in Spanish with the information requested in Article 1 (above).

Article 5: - The use of words, phrases, descriptions, trademarks, product literature, brochures, etc. that may lead to error, deceit, or confusion regarding the nature, origin, quality, quantity, etc. of the product, its features, usage, etc., is completely forbidden.

Article 6: - Importers, manufacturers, assemblers, etc. will be responsible for the truthfulness of the information stated on the labels.

This law has many complementary regulations from different Ministries according to the nature of the product. Industry sectors such as medical, fine chemicals, fertilizers, hazardous materials, food, beverages, textile and apparel, footwear, etc., have more detailed specifications for labeling requirements.

Law 19,511 establishes the use of the metric system in the Argentine Republic. Regulation 100/83 of the Ministry of Economy provides that the indication of net content in labeling must be in the metric system.

The Direccion de Lealtad Comercial of the Secretariat of Industry, Ministry of Economy, works together with the other Ministries (or corresponding Argentine government agency) in the development of in-depth labeling requirements for each industry/product. For further inquiries, please contact:

#### DIRECCION DE LEALTAD COMERCIAL

Secretaria de Industria

Ministerio de Economia

Av. Julio A. Roca 651, Piso 4to., Of. 32

(C1067ABB) Buenos Aires, Argentina

Phone: (54-11) 4349-4076/77

Fax: (54-11) 4349-3755

Contact: Ing. Horacio Fernandez, Director

Comments: Government agency under the Ministry of Economy, roughly equivalent to the U.S. Better Business Bureau.

In some cases, the Government Regulatory bodies of each industry provide information on the corresponding labeling requirements.

For example, for information on labeling requirements for the medical industry, hygiene and food products etc, the ANMAT (the equivalent of the USFDA, the regulatory body of the Ministry of Health) provides additional information to the general rules for a specific product.

#### ANMAT

Avda. de Mayo 869, Piso 3

(C1084AAD) Buenos Aires, Argentina

Phone/Fax: (54-11) 4345-7145; 4340-0800

Fax: (54-11) 4342-4578

E-mail: [postmaster@anmat.gov.ar](mailto:postmaster@anmat.gov.ar)

Web Site: <http://www1.anmat.gov.ar>

Contact: Dr. Andres Pinard, Deputy Director

Comments: National Administration of Pharmaceuticals, Foods and Medical Technology

There is no general regulation for labeling of hazardous materials. The Direccion de Lealtad Comercial and the Ministry of Health are currently discussing the terms on labeling requirements of hazardous materials. At this point in time, for information on labeling requirements of hazardous materials, please contact the ANMAT (above) with your request including the product's HS number.

Argentina, as many United Nations members, has adopted the U.N. recommendations for the labeling and packing of hazardous materials. For more information please refer to the International Maritime Dangerous Goods Code (IMDG Code).

#### Methods of payment for imports

Since there are no foreign currency restrictions, payment of any kind of import can be made in cash or on the terms agreed by the parties, such as a letter of credit (L/C), or a sight draft with deferred payment. There is no minimum payment requirement in order to use a L/C. L/Cs usually cost between 2 and 3 percent of the amount for large firms or those already operating with the issuing bank, and 4.5 to 5 percent for smaller firms or new accounts. L/Cs are usually valid for one year.

#### Import/export documentation

Shipping documents Pre-Shipment Inspection:

Argentina's Pre-Shipment Inspection (PSI) regime came into effect on November 14, 1997. Decree 477/97, authorized the establishment of a PSI. The objective was to modernize customs service and control, to raise fiscal incomes, and to combat unfair competition through the elimination of under- and over-invoicing.

PSI is the government contracted or mandated employment of six specialized private firms to verify shipments. These firms are SGS (Societe Generale de Surveillance), Bureau Veritas, ITS (Intertek Testing Services), Inspectorate PLC, Socotec International Inspection S.A., and UTE CU Holding of Argentina. These Inspection Firms (I.F.) are subject to audit by government officials and private firms contracted by the Argentine government. (Please see Chapter X - Appendix E for contact information on the Inspection Firms.)

Inspection firms first verify that: a) HS codes are appropriate, b) the quantities are as noted on the commercial invoice and shipping documents, and c) the valuation is appropriate (average market price).

Goods subject to this regime, such as consumer products, vehicles, textiles, computer-software and telecommunication products, measuring instruments, machine tools, and electrical appliances, imported into Argentina, undergo an inspection in the exporting country by Argentine PSI officials.

Products exempted from this regime are:

- 1) Accompanied and unaccompanied luggage,
- 2) Personal effects (excluding automotive vehicles) brought by non-residents who will be establishing residency therein,
- 3) Parcel post of no commercial value,
- 4) Commercial samples,
- 5) Goods for governmental organizations (FFAA),
- 6) Goods imported by foreign diplomatic and consular missions,
- 7) Imported goods with a FOB, FOT, or FOR value below \$800 or the equivalent in another currency.
- 8) Goods imported by non-profit organizations with no commercial value

Below are the steps to be followed:

- a) The importer selects the Inspecting Firm
- b) The importer places a Request for Inspection
- c) The exporter and the Inspection Firm arrange for verification of goods
- d) Physical inspection takes place at the country of origin
- e) The Inspection Firm notifies the exporter of findings
- f) After shipment, the exporter sends shipping documents and invoice to the Inspection Firm
- g) The Inspection Firm issues a Certificate of Inspection (CI)

In case of discrepancies between goods requested for inspection and those verified, a new inspection will be scheduled within the next five working days. The CI is mandatory for customs clearance.

The Inspection Firm is paid for its services by the Argentine Federal Government. It receives 0.95 percent of the FOB/FOR/FOT value of the imports, with a minimum price per operation of \$120. If duties and statistics fee increase as a result of the inspection, the IF is paid 5 percent of the collection increased quarterly, up to a limit of 0.2 percent of the FOB/FOR/FOT value of the Certificate of Inspection.

Since March 2000, the Government of Argentina has approved three resolutions (AFIP 792/00, 822/MM, 840/00) excluding approximately 970 products from the Pre-shipment Inspection regime. However, there are still some 1,500 products subject to PSI.

Reliable industry sources believe the Argentine government will gradually move away from the PSI.

Maritime shipments:

Documents required for all maritime shipments, regardless of value, are the following:

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- Commercial invoice (original and three copies)
- Bill of lading (minimum of one negotiable copy for customs purposes)
- Packing list (not generally required for bulk commodities or for articles that are identical in kind, characteristics, composition, weight, etc.)
- Insurance certificate (if insurance coverage is purchased by the exporter)

Air cargo shipments:

Documents always required for air cargo shipments, regardless of value, follow:

- Commercial invoice (original and three copies)
- Airway bill (number of copies depends on requirements of the importer and of the airline used)
- Packing list.

Freight forwarding and/or agents' fees cannot be shown on airway bills on a freight collect basis; i.e., the fees must be prepaid.

Commercial invoices

Commercial invoices must be presented in Spanish (one original and three copies), with the caption "Original Invoice". Carbon, printed or photocopied invoices will not be accepted for the original. In addition, a properly authorized member of the firm must sign each copy of the invoice presented (i.e., the original and three copies), manually, in ink. This member of the firm is to be identified by the typing of the full name directly underneath the signature, followed by the typing of his title or position in the firm. Where these commercial invoices are handled or in any way completed by the shippers or agents, a responsible representative should sign as well and identify the signature in the same manner, giving the full name of the firm as agents for the exporter or manufacturer. All agents and/or shippers countersigning and completing invoices for exporters or manufacturers should add their telephone numbers after the name of the firm.

The invoice (if in English, common practice is to show the Spanish translation just below the English text) should contain:

- Invoice number
- place and date of execution
- full name and address of the exporter
- full name and address of consignee and name and address of the agent (freight forwarder), if any quantity, indicating measuring units invoiced
- name and description of goods (in Spanish)
- unit price and total
- currency used in transaction
- terms of payment and delivery, using INCOTERMS
- origin and place/port of export of the merchandise
- means of transport (specifying via ocean or air or parcel post)
- port or place of entry into Argentina

The invoice must contain the following declaration in Spanish:

“DECLARO BAJO JURAMENTO QUE LOS PRECIOS CONSIGNADOS EN ESTA FACTURA COMERCIAL SON LOS REALMENTE PAGADOS O A PAGARSE, Y QUE NO EXISTE CONVENIO ALGUNO QUE PERMITA SU ALTERACION, Y QUE TODOS LOS DATOS REFERENTES A LA CALIDAD, CANTIDAD, VALOR, PRECIOS, ETC., Y DESCRIPCION DE LA MERCADERIA CONCUERDAN EN TODAS SUS PARTES CON LO DECLARADO EN LA CORRESPONDIENTE SHIPPER’S EXPORT DECLARATION.”

(Unofficial Translation: “I swear that the prices on this commercial invoice are those really paid or to be paid, and that no agreement exists that permits their modification, and that all data pertaining to quality, quantity, value, prices, etc., and description of the merchandise agree in all their parts with what was declared in the corresponding Shipper’s Export Declaration.”)

A fax of the commercial invoice can be used as a working copy for customs, but the original must be presented in order to complete entry.

### Bill of lading

The bill of lading should be issued (at minimum) in one negotiable copy; additional negotiable copies may be required due to the needs of the importer, bank, steamship line, or other interested party (follow instructions from the importer or those given in the letter of credit or other contractual arrangement). Bills of lading must indicate the weight and volume of each package, as well as the total weight and volume of the shipment. All bills of lading must also show the amount of freight and a statement “Freight Paid,” or “Freight Payable at Destination” as appropriate.

The bill of lading must show the following:

- the name of the ship
- the name of the ship’s captain
- port of registry and registered tonnage (weight and volume)
- the name of the charterer or the shipper
- the name of the consignee (unless it is “to the bearer” or “to order”)
- number of packages, as specific description of the contents, the quantity, quality and marks of the goods
- port of loading and unloading, with a declaration of the port of call, if any
- the amount of the freight
- place, method and date of payment
- date of preparation of the document and signature of the captain and of the shipper (signature of the shipping company and shipper should be signed manually, facsimile signatures are not acceptable)
- container and seal number, and terms of shipment.
- Suggested: invoice number

### Packing lists

These are necessary for customs clearance in Argentina and must describe the contents of each package. Where the contents of a parcel are the same as those in other parcels of the same lot, one description on the packing list covering the lot will be sufficient. The packing list preferably should

be in Spanish.

No packing list is necessary for goods imported in bulk, such as coal, petroleum, sand, etc., or for articles identical in kind, characteristics, composition, weight, etc.

It is suggested that the packing list be included in every air shipment.

#### Insurance certificate

The exporter needs to be concerned about this document when purchasing insurance and shall act according to the details provided by the importer. Marine insurance can be obtained from any insurance company.

#### Certificate of origin

The certificate of origin is not a required document, unless it is part of the importer/bank/contract terms, or otherwise required by the government of Argentina in certain product areas, such as textiles and footwear.

However, per resolution SICM 305/99, the Government of Argentina established that, as of August 12, 1999, a certificate of origin is required for customs clearance purposes for goods, including parts, produced in WTO non-member countries.

For further information on import procedures, please contact Commercial Service Buenos Aires.

#### Used capital goods

As a general rule, imports of used capital goods must be refurbished in the country of origin or the country of export. The machinery must have been overhauled (repaired/remanufactured) and this condition must be certified by a "technical organization" in the country of origin. The certification must be validated by the Commercial Section of the Argentine Embassy or by an Argentine Consul in the U.S. Used goods may be refurbished in Argentina by the importer, who must be the end user of the used goods. In this case, the importer is subject to proof-of-use regulations for a period of two years, during which time donation or sale of the goods is prohibited. These proof-of-use regulations also apply to goods refurbished abroad and imported by the end user.

Regulations require that the exporter maintain an official agent or representative in Argentina who can assure the availability of spare parts and servicing. Direct end-users (e.g. cooperatives) may import the machines already repaired or for repair in Argentina. Those end-users who import for their own use must be able to demonstrate, upon request, that the machinery remains in their possession two years after the importation date. They are subject to an additional 2 percent tax when importing the equipment. Used goods are subject to an average import fee of about 25 percent (varying according to product) and a 0.5 percent statistics fee.

Importation of used products such as spare parts, automobiles, clothing, tires, boats and other products is prohibited.

#### Customs brokers

Even if the services of a custom broker are not mandatory to import into Argentina, it is advised to consult one in order to ease clearance through customs. (Please find a list of Customs Brokers in Appendix E.)

Free trade zones/special customs areas/bonded warehouses (From JEF-Done)

Argentine Law 24331 of 1994 authorizes the Federal Government to create one free trade zone in each Province and delegates to the executive branch the authority to create foreign trade or export processing zones in each of Argentina's twenty-three provinces and four others in border areas.

Regulations and advantages

Imports

Free Trade Zones offer outstanding advantages to importers. Goods brought into the zones enter free of taxes and duties. Their entry does not imply that their final destination is for consumption. The customs authority regulating the goods considers them as stored in a third country; therefore, incoming products are subjected to inspection with the sole purpose of classifying quantity and type.

This privileged system allows importers to improve cash flow by delaying taxes and customs duty payments. In other words, goods enjoy a duty-free status until they enter the Argentine customs territory. Goods may remain in the zone for a maximum period of five years. The free zones offer importers the following advantages:

- Goods can be released according to market demand, thus avoiding payment of duties and taxes until a purchaser for the goods is found; i.e., free zone customers pay the duties and taxes on goods sold and leaving the zone (deferring payment of duties).
- Incoming goods can be split, have value-added work performed, etc. to increase their commercial quality or to save on transportation costs.
- Goods may be re-exported to any part of the world without paying any duty or tax.
- Import verification of goods can be done directly in the zone, prior to entering the Argentine customs territory, instead of at port of origin.
- Free zone users can display their goods in their own showroom, in the zone, making marketing and sales easier.

Exports

The free trade zones offer exporters the possibility to import free of customs duties, statistics rate and VAT, all the necessary equipment to build a "turnkey operation" within the zones. Furthermore, exporters manufacturing within the zones enjoy the benefit of buying supplies and raw materials from third countries, without having to pay duties or taxes that lead to increased prices.

By exporting through the Free Trade Zone, industries enjoy the incentives available in the Argentine Territory, plus the lower costs due to the exception of VAT and internal taxes in basic supplies such as electricity, gas, water, and telephone services.

#### La Plata Free Trade Zone (ZFLP)

The inauguration of the La Plata free trade zone on January 2, 1997 brought about a significant change in the international trade of goods in the area. An important aspect of this zone is its proximity to the city of Buenos Aires (40 miles south of Buenos Aires - about a one-hour drive) and to Ezeiza International Airport (one-hour drive). Other highlights of this free trade zone include its port, with 500 meters of dock, and its strategic location linking this free trade zone to the main cities of Argentina. It also has the availability of all the necessary equipment to move cargoes, which provide customers a logistic service for the distribution of goods inside and outside the country.

#### Infrastructure:

- Port within the free zone with 500 meters of dock
- Container storage area
- 400,000 m<sup>2</sup> of warehouses
- 100,000 m<sup>2</sup> storage area for trucks cars, machinery, etc. next to the dock
- 5,000 m<sup>2</sup> office space
- Showrooms where goods can be exhibited for wholesale operations.

The main industries that use the La Plata free trade zone services are as follows:

- Tools and Machinery
- Vehicles
- Auto Parts
- Textiles
- Toys
- Electronics

#### Users:

Operations and Technical Management Department figures show that 1,942 users - 315 of them direct users and 1,627 indirect - operate within the ZFLP. Over 400 businesses are waiting to have their projects approved and to be allotted space at La Plata. The majority of users are small and medium sized firms (SMEs), but large corporations are also clients. Some of the users are Sharp, Maxon, Acropolis, Canon, TDK, JVC, Audinac, Pioneer, Rates, Audio Logic, Zenith, Daewo, Talent, Goldstar, Panashiba, Nashiba, Le Roy, Carandache, Baume & Mercier, Corum, Tag Heuer, Movado, Caterpillar, Valvoline, Komatsu, Cummins, Coleman, John Deere, Home, Litte, Snapper, Asia, Kia, Isuzu, Mazda, Nissan, Case, SKF, Fag Steyr, Armstrong, Stanetex Tile, Multicolor Prem, Abco Haldex, Sigma Paximat, York, Autobombas Ford, GM, American Lafrance, Venus Carpet, Kalpakian Floget, Blue Diamond, Stronger, Yale, Skoda, Cessna, Bayer, Nike, Topper, Avia, Jovi, Canson, Stabilo, La Serenisima, Sancor, Ceres, Goodyear, Eastman, Digital, Tecno Steel, Dallas, Cristaleria Bohemia, Heidelberg, Polar, Hempel, Crosley, Waltek, Exenel, Printex, Darling, Wega, R.N., Tecno 1, Medtronic, Akroplast, BRD, Lostra 2100 Fume, Care Quilt, Rae Flex, Zwiling,

Nippon, Kaijo, Ki, Trinity, Asme, Dupont, Siderar, Sanitron, Band Ai, Alcoa, Samsonite, Daihatsu, Rhone Poulenc, Asics, Etam, Grimoldi, Boating Shoes, Sthil, Subaru, Daewoo, Cadbury de Argentina, Cafes La Virginia, Construcciones Metalurgicas Zanello, Electrolux Argentina, Ilko Argentina, Impsat, Ledesma Mattel Argentina, Multicolor Argentina, Papelera Tucuman, Pecom NEC, Philco Ushuaia, Phillips Argentina, Ralston Purina Argentina, Spazio Casa Simmons de Argentina.

At present 100 percent of what is manufactured on site has to be re-exported, an element of law 24,331 that the entity claims is stopping the free zone from fully functioning as such. Lobbyists are strongly advocating a modification to law 24,331 that would allow manufacturers in the free zone to re-import 30 percent of production into Argentina.

For more information please contact:

Buenos Aires Zona Franca La Plata S.A.  
 Calle Don Bosco e Hipolito Yrigoyen  
 1925 Ensenada, Prov de Buenos Aires, Argentina  
 Tel: (54-221) 468-0000  
 Fax: (54-221) 468-0010  
 Contact: Mr. Eduardo Zamorano, Commercial Manager

Or

Paseo Colon 823, Entrepiso B  
 1063 Buenos Aires, Argentina  
 Telefax: (54-11) 4300-7122/23/24  
 E-mail: [bazflp@bazflp.com.ar](mailto:bazflp@bazflp.com.ar)

#### San Luis Free Trade Zone

In April of 1997, the city of Justo Daract, in the Province of San Luis, started to operate a free trade zone. The location of Justo Daract in the heart of Argentina, might be considered less advantageous than that of La Plata. The zone has neither ports nor a nearby commercial center of the magnitude of Buenos Aires (located at a distance of 660 kilometers). Generally, the products that move through this zone, at some point in their shipment, go through Santiago, Chile, which is approximately 700 kilometers away, either by highway or by air. By land, many products head to or come from the Chilean ports in Valparaiso and Puerto Bandera. Air transportation to or from the Justo Daract Free Trade Zone is accessible through the Villa Reynolds Airport, located 10 kilometers from the zone. The airport is sufficiently equipped to handle aircraft as large as the Hercules C-130 and Boeing 707. With the airport and the binational highway #7, Justo Daract has the advantage of access to ports in both the Atlantic and Pacific Oceans. (As mentioned above, these ports are located at significant distances from the zone). By late November 1998, operations valued at \$8 million had taken place in this zone. Twenty-four percent of the products came from the United States, 12 percent from France, 10 percent from Italy, Taiwan and Spain, 6 per cent from China and Holland, 4 per cent from Pakistan and Germany, and 2 per cent from Brazil, United Kingdom, India, Korea, Japan, Ecuador and Chile.

For more information please contact:

**Zona Franca Justo Daract Administration**

Avda. India y Junin, Piso 3

5700 San Luis

Tel/fax: (54-2652) 427271

Contacts: Mr. Ruben Moreno; Mr. Alejandro Peralta

**Subsecretaria de Industria y Minería**

Zona Franca

Av. Italia y Junin, Piso 3

5700 San Luis

Tel: (54-2652) 427271

Contact: Dr. Biardo Llorente Ruiz

**Cordoba Free Trade Zone**

The free trade zone in Cordoba was inaugurated April 16, 1999. There are 22 users currently operating in this zone. Users may choose any of the options mentioned below:

**Operations with own facilities:**

The plots in the FTZ measure 15m x 50m, which is equivalent to 750 m<sup>2</sup> of surface. Registration costs \$1,000. Leasing is paid monthly and the amount is \$1,000 for each plot of 15mx50m.

**Operations in the licensee's facilities:**

The operations in FTZ in public warehouse are assigned to the following types of companies: (a) New companies that have never operated in foreign trade and wish to try this system until their transactions volume increases; (b) Companies that already operate in foreign trade and want to cut down their operating costs; (c) Companies with small volume of transactions (purchases and sales), which make it excessively burdensome to maintain their own storage premises of 600 m<sup>2</sup>.

**Operations in open yards:**

This storage option is open to all products that may be stored or placed in the open air, without losing their value or deteriorating with the passage of time, for example: automobiles, machines, pipes, construction materials.

**For more information:**

Zofracor S.A.

Ruta 9 (N) km.718

5145 Juarez Celman, Cordoba

Tel/fax: (54-351) 4904171

E-mail: [Zofracor@arnet.com.ar](mailto:Zofracor@arnet.com.ar)

**Tucuman Free Trade Zone**

Inaugurated on July 9, 1998, this free zone is located 7 km. from the city of San Miguel de Tucuman, 3 km. from the railway station, and 15 km from the International Airport. It currently has 60 users,

all first line companies, such as Minera Alumbreira Ltd., Bucyrus (U.S.), Abraservice (France), Esco (U.S.), Commercial Hill (Chile), Railcars Heavy Corp (Scania), Compania Azucarera Concepcion S.A., Citromax S.A., Citrusvil, Tensolie S.A., Bacco y Cia. S.A., Pepsi. Storage of merchandise in the Tucuman Free Zone's general depots costs \$6.00 per cubic meter, per month.

For more information:

Zona Franca Tucuman  
Ruta Nacional No 9 km. 1285  
4109 Banda del Sali  
Cruz Alta, Tucuman  
Tel/fax: (54-381) 4525600/01/01  
E-mail: [zonafrancatuc@MERCOSURdigital.com](mailto:zonafrancatuc@MERCOSURdigital.com)

#### Mendoza Free Trade Zone

The Free Trade Zone in Mendoza, inaugurated on May 27, 1999, is strategically located in Western Argentina for distribution throughout Argentina and Chile and to the rest of MERCOSUR (Brazil, Paraguay, and Uruguay). This zone is 350 km from Santiago (Chile) and 430 km from the ports of Valparaiso and San Antonio (Chile).

For information please contact:

Zona Franca Mendoza  
Ruta 84 s/n  
5509 Perdriel, Lujan de Cuyo  
Mendoza  
Tel/Fax: (54-261) 498-6879  
Contact: Lic. Marcelo Moreno119  
E-mail: [info@zfmza.com.ar](mailto:info@zfmza.com.ar)

#### Santa Fe Free Trade Zone (ZFS)

The concession for the exploitation of the Santa Fe Free Zone has been granted to the TECSA S.A.-Mercocarga S.A. joint venture. After assessing the offers submitted, the Zona Franca Santafesina Committee adopted the approving resolution and signed the 30-year concession contract with the J.V. representatives. The ZFS is located in a region that supplies a competitive industrial environment, highly skilled and trainable labor force, basic and advanced support infrastructure services, land availability, excellent transport, communications and access to big markets.

For more information:

Zona Franca Santafesina  
1ra. Junta 2507, Piso 10  
3000 Santa Fe  
Tel: (54-342) 456-2562/66  
Fax: (54-342) 455-0491

### Comodoro Rivadavia Free Trade Zone

By subscribing to Law 24,331 (Free Trade Zones Law) adherence arrangement, on October 31, 1994, the province of Chubut designated Comodoro Rivadavia as the adequate port for the creation of the provincial free trade zone. The city is geographically located in the heart of Atlantic Patagonia, 553 km from the Pacific Ocean. This city relies on its international airport, its seaport, and its central position with respect to the land and telephone communications main systems. On its coast lies the main port of Golfo San Jorge. It is the main city in the oil region of Argentina.

### Special Customs Area, Tierra del Fuego

Tierra del Fuego has a Special Customs Area regime that allows duty-free imports of capital goods not produced in Argentina and planned for use in designated high-priority industries, as well as for goods to be assembled in local plants for sale in Argentina. Other imports entered through this zone receive a reduction of 50 percent on normal tariff rates.

The Special Customs Area in Tierra del Fuego, Argentina, will continue to function with duty-free entry for non-bloc goods until 2013.

### Bonded warehouses

Bonded warehouses are zones located outside of customs areas, generally within port limits, in which merchandise may be stored, tax-free, for a specified period of time and may be subdivided or packaged therein. These warehouses are under the control of customs. (See Appendix E for a list of bonded warehouses currently in operation.)

## VII. INVESTMENT CLIMATE

### Openness to Foreign Investment

Argentina welcomes foreign direct investment, which is an essential element of the country's economic growth strategy. Argentina's climate for foreign investment is among the most favorable in Latin America. The Administration of President De la Rúa encourages foreign investment through national treatment under a free foreign exchange and capital movement regime without wage or price controls. Foreign investors, including many U.S. corporations, operate in major economic sectors. Decree 1853, of September 8, 1993, governs foreign investment in Argentina. Foreign companies may invest in Argentina without registration or prior government approval on the same terms as investors domiciled in Argentina. The U.S. – Argentina agreement for reciprocal promotion and protection of investments entered into force in October 1994.

Investors are free to enter Argentina through merger, acquisition, greenfield investment or joint venture. Foreign firms are among the most prominent participants in Argentina's ambitious privatization program, which includes oil, gas, electric power, telecommunications, transport, water and other service sectors. Foreign firms may also participate in publicly financed research and

development programs on a national treatment basis.

Foreign and Argentine firms face the same tax liabilities. In general, taxes are assessed on consumption, imports, assets, property and payroll (social security and related benefits). Legislation enacted in 1993 and 1994 provides for special tax incentives to encourage investment in mining.

There are very few sectors in which Argentina maintains exceptions to national treatment for U.S. investors: real estate in border areas, air transportation, shipbuilding, nuclear energy, uranium mining, and fishing. Foreigners must obtain permission of the Ministry of Defense's Superintendency for Frontiers to invest in non-mining activities in border areas. New telecommunications sector regulations, which will govern Argentina's telecommunications licensing regime effective November 2000 no longer require licensees to have a local partner holding a minimum ten percent stake in the enterprise.

Businesses in Argentina –foreign and domestic alike— still face problems involving inconsistent application of regulations, fraud and corruption. The situation for foreign investors has nevertheless improved dramatically in Argentina since 1989. A more efficient, transparent judicial system would improve the environment for all long-term investors in Argentina.

#### Conversion and Transfer Policies

All restrictions on the movement on capital to or from Argentina were eliminated in December 1989, when the Argentine Government lifted all exchange controls and adopted a single foreign exchange market. Under the Convertibility Law of 1991, the Central Bank of Argentina maintains the value of the Argentine peso at one-to-one parity with the U.S. dollar in free market conditions. Devaluation in the near future is considered unlikely.

Investments may be made freely in any convertible currency, in capital goods, spare parts, accessories, in profits earned locally or other capital belonging to foreign investors. All private sector transactions, including all loans and payments, may be carried out in the foreign exchange market without restriction.

In accordance with Article 3 of Decree 1853/93, foreign investors may, at any time, repatriate capital and remit earnings abroad. Foreign investors may borrow domestically with the same rights and on the same terms as Argentine firms. Article V of the U.S. – Argentina bilateral Agreement also provides for free, prompt transfers related to investments.

#### Expropriation and Compensation

The Argentine Government has not resorted to expropriation in recent years. Article 4 of the U.S. – Argentina agreement on promotion and protection of investment states that investments shall not be expropriated or nationalized except for public purpose upon payment of prompt fair-market value compensation.

A number of disputes involving foreign investments have arisen in Argentina in recent years, most often between investors and provincial governments. Unforeseen changes in tax laws and liabilities—often in spite of tax-stability guarantees from provincial authorities—as well as customs treatment and public utility rate changes are some of the issues that have provoked the disagreements. Resolution of some of these cases has been contentious and time consuming.

Investment disputes can be adjudicated through local courts or administrative procedures. The Argentine court system is occasionally undermined by influence peddling, however, and independent surveys indicate that public confidence in the judiciary is weak. Argentina has a strict bankruptcy law similar to that of the U.S., although initiating bankruptcy proceedings is more difficult in Argentina. Creditors can participate in a Chapter 11-like procedure to determine the best means of recovering debts from a bankrupt firm. Company directors are personally, criminally responsible in cases of fraud. The value of the Argentine peso is pegged to the U.S. dollar and is freely convertible.

The Government of Argentina accepts the principle of international arbitration. The bilateral investment agreement between the United States and Argentina provides for binding international arbitration of investment disputes that cannot be settled through amicable consultation and negotiation between the parties. The Government of Argentina is a party to the International Center for the Settlement of Investment Disputes (ICSID) and the World Bank's Multilateral Investment Guarantee Agency (MIGA). Companies who seek recourse through Argentine courts may not pursue international arbitration.

#### Performance Requirements/Incentives

No performance requirements are aimed specifically at foreign investors. Government incentives apply to foreign and domestic firms. The Ministry of Economy administers a complex incentive regime involving quotas and tariffs for auto manufacturers that involves some performance requirements. Special regimes also apply to mining, oil and gas, and other natural resources.

#### Right to Private Ownership and Establishment

Foreign and domestic investors have free and equal rights to establish and own businesses, or to acquire and dispose of interests in businesses without discrimination.

#### Protection of Property Rights

Secured interests in property, including mortgages, are recognized and common in Argentina. Such interests can be easily and effectively registered. They also can be readily bought and sold.

Argentina adheres to most treaties and international agreements on intellectual property and belongs to the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). The Argentine Congress ratified the Uruguay Round agreements, including the provisions on intel-

lectual property, as Law 24425 on January 5, 1995.

#### Patents:

Patent law is the weakest element in Argentina intellectual property rights, and extension of adequate patent protection to pharmaceuticals has been a highly contentious bilateral issue. After years of protracted debate, the Argentine Executive issued a pharmaceutical patent decree in 1996 that fell far short of the Argentine Government's bilateral commitments to the United States. The decree imposed a five-year transition period for pharmaceuticals, contains no pipeline protection, and grants the government broad discretion to issue compulsory licenses. In early 1997, the U.S. announced the suspension of 50 percent of Argentina's benefits under the Generalized System of Preferences because of the unsatisfactory pharmaceutical patent law. The U.S. initiated consultations in May 2000 under the WTO dispute resolution mechanism to address trips inconsistencies in the law. Argentina's flawed patent regime could hinder Argentina's ability to compete effectively with other Latin American countries that have strong patent protection.

#### Copyrights, Trademarks, Trade Secrets, and Semiconductor Chip Layout Design:

Intellectual property protection for books, films, music, and software in Argentina has improved in recent years. The Congress approved in 1998 legislation making criminal sanctions available in cases involving piracy of software. Argentine authorities have undertaken efforts to combat piracy of videotapes and other copyrighted material, but enforcement is sporadic and pirated products are readily available in the market. The government has improved the process for trademark registration. Argentina has no specific law on trade secrets, although penalties for unauthorized revelation of secrets are applied to a limited degree under commercial law. Argentina has signed the WIPO Treaty on Integrated Circuits, but has no law dealing specifically with the protection of layout designs and semiconductors.

#### Transparency of the Regulatory System

The Argentine Government has eliminated virtually all restrictions on domestic and foreign trade of goods and services, and on financial markets. Its policies have increased competition in many industries and sectors. Argentine authorities, including the Ministry of Economy and a number of quasi-independent regulatory entities, have acted in certain cases to foster competition and protect consumers, though not always in a transparent fashion.

In September 1999 Congress passed a revision of the existing anti-monopoly statute. The new law will create a tribunal for the defense of competition and increase the government's ability to block company mergers and punish abuse of market position.

Social charges and other taxes add significantly to the cost of labor. High severance payment requirements and strict rules on collective bargaining also contribute to an unduly rigid labor market. A labor reform initiative, enacted into law May 2000, will address some of these rigidities over time by increasing collective bargaining flexibility, extending trial employment periods and lowering payroll taxes for new permanent hires. Private capital pension funds, launched in 1994, have promoted increased domestic savings. The privatization of workers' compensation insurance took

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effect in 1996.

## Efficient Capital Markets and Portfolio Investment

Argentine regulation of capital markets promotes the free flow of financial resources. A wide variety of credit instruments are available at free market terms to foreign investors on the local market—although local credit is generally more expensive than that obtained in the United States.

Law 17118 regulates public securities offerings. The Argentine Securities and Exchange Commission (CNV-Comision Nacional de Valores) is the federal agency that regulates securities markets offering. Securities and accounting standards are transparent and consistent with international norms.

U.S. banks and securities firms are well represented in Argentina and are among the most dynamic players in the local capital markets. Peso and dollar deposits in Argentine banks totaled over \$82 billion as of June 2000. The private pension fund system—consolidated in 1995—has provided an important growing base for capital markets.

The percentage of non-performing loans varies widely among banks. As of December 1999, 11.4 percent of total banking system loans were non-performing (7.1% of private bank loans and 19.0% of public bank loans). No discriminatory measures specifically target foreign investors in finance and capital markets.

## Political Violence

Argentina has implemented major democratic reforms since 1983 and economic reforms since 1989 with few incidents of political violence. Disturbances of limited scope have occurred in some of Argentina's provinces in recent years. These actions were directed against local administrations or public and private sector employers—generally for non-payment of wages—and did not involve protests against foreign investors.

## Corruption

Government corruption and private sector business fraud are common complaints. Dishonest practices in the private sector—including tax evasion—are common in Argentina. Surveys by Transparency International and other business and academic groups have contributed to more open debate of corruption and fraud. U.S. businesses have identified corruption in Argentina as a significant problem for trade and investment. Procurement, regulatory systems, tax collection and health care administration are problem areas.

The Argentine Government maintains that official corruption has decreased dramatically as a result of the privatization of most state enterprises since 1989. Argentina is a party to the OAS Anti-Corruption Convention and has indicated its intent to ratify the OECD Convention. The government has regulations against bribery of government officials, but enforcement is uneven. The De la Rúa

Administration has established an anti-corruption office under the Justice Ministry that, among other duties, reviews financial disclosure statements now required of all senior public officials.

Argentina's inefficient judicial system impedes efforts to stem corruption. There are a number of major corruption investigations pending. Convictions are rare.

### Bilateral Investment Agreements

The governments of Argentina and the United States signed an Agreement for Reciprocal Promotion and Protection of Investments in 1991. The agreement was amended, ratified by the Congress of both countries, and entered into force on October 20, 1994. Argentina does not have a bilateral tax agreement with the United States.

Over the past decade, Argentina has signed 56 bilateral treaties for the protection and promotion of investment –including with all of its major trade and investment partners. To date, 44 of these agreements have been ratified by the Argentine Congress and are in force. They include agreements with many European countries, Canada, Mexico, and Chile.

### OPIC and Other Investment Insurance Programs

Argentina signed a comprehensive agreement with the Overseas Private Investment Corporation (OPIC) in 1989. Argentina is also a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

### Labor

Argentine workers are more highly educated and better paid, on average, than labor in other Latin American countries. Economic reforms and the introduction of labor-saving technologies have increased demand for highly skilled workers but reduced employment opportunities for unskilled workers. The Argentine Labor Code has traditionally been a serious disincentive in the hiring of new employees. A labor reform initiative, enacted in law May 2000, will address some of these rigidities over time by increasing collective bargaining flexibility, extending trial employment periods and lowering payroll taxes for new permanent hires.

### Foreign Trade Zones

Law 24331 of 1994 establishes the Foreign Trade Zone Regime for Argentina. The law permits establishment of four zones. In addition, each province can establish a foreign trade zone. The foreign trade zone of La Plata, in the Province of Buenos Aires, is by far the most active, due in large part to its proximity to the port of Buenos Aires. Foreign firms have the same opportunities as Argentina firms.

The Embassy estimates that U.S. direct investment in Argentina reached \$16 billion in 1999. Investment is concentrated in telecommunications, energy, petrochemicals, financial services, food processing and motor vehicle manufacturing.

In recent years, Argentine firms have increased investment abroad –particularly in Brazil, Paraguay and Uruguay. Still, Argentina remains a large net recipient of foreign direct investment.

Foreign investors are not required to register investments. Foreign investment in Argentina has grown rapidly since 1989. Other than the United States, Chile, Spain, Italy, France, Canada, and Japan are important sources of investment capital. Construction, food processing, telecommunications, mining, energy, transportation, and motor vehicle production are of great interest to foreign investors.

Important foreign investors in Argentina include, among others, ALCAN, Barrick, Bell South, BP Amoco, British Gas, Bristol-Myers, Cargill, Carrefour, CDSI, Chevron, CitiGroup, CMS, Coca-Cola, Crown Cork, Cyanamid, Daimler-Chrysler, Diamond Shamrock, Dow Chemical, Dupont, Eastman Kodak, Enron, Exxon, Fiat, Fleet-Boston, Ford, France Telecom, General Motors, Gillette, Goodyear, GTE, Hewlett Packard, Home Depot, Honeywell, IBM, Kimberley Clark, Lockheed-Martin, Marriott, Merck, Motorola, MIM, Nabisco, Occidental Petroleum, Pepsi, Peugeot, Pfizer, Philip Morris, Procter & Gamble, Renault, Repsol, Scania, Schering-Plough, Shell, Sheraton, Swift Armour, Squibb, TCI, Telefonica of Spain, 3M, Toyota, Union Camp, United Technologies, Volkswagen, Wal-Mart, and Xerox.

The Argentine Ministry of Economy (<http://www.mecon.ar>) and Fundacion Invertir Argentina (<http://www.invertir.com>) have additional detailed information on foreign direct investment in Argentina.

## VIII. TRADE AND PROJECT FINANCING

### General Financing Availability

#### Trade financing

Commercial banks offer loans to creditworthy importers, although interest rates are still high by U.S. standards. U.S. exporters should take the high cost of money into account when negotiating payment methods with Argentine importers. The U.S. Export Import Bank (ExImBank) is on cover for public and private sectors, and ExImBank guarantees many trade facilities from U.S. commercial banks.

ExImBank finances all types of U.S. goods and services as long as they are not military-related and contain at least 50% U.S. content. In all transactions there must be a reasonable assurance of repayment. Their congressional mandate includes increasing the export of environmentally sensitive goods and services, and expanding the number of U.S. small businesses using ExImBank financing. More than 80 percent of their approved transactions are for small business. To determine which

programs may be best for your business, please refer to the programs listed below:

Working Capital Guarantees cover 90 percent of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export.

Export Credit Insurance policies protect against both the political and commercial risks of a foreign buyer defaulting on payment. Short-term and medium-term policies are available.

Guarantees of Commercial Loans to Foreign Buyers of U.S. Goods or Services cover 100 percent of principal and interest against both political and commercial risks of nonpayment, with repayment terms of one to five years. ExImBank's guarantee is available for fixed or floating rate export loans in dollars or convertible foreign currencies. Both banks located in the United States and certain banks in Argentina have lines of credit with ExImBank that allow them to provide loans, backed by ExImBank guarantees, to Argentine businesses purchasing U.S. equipment and services. U.S. exporters do not need to go through the ExImBank application process. They should direct their Argentine buyers to an on-lending bank in the United States or Argentina to obtain the credit. The U.S. based bank will disburse directly to the U.S. exporter. Since the lines are pre-approved and individual transactions do not require ExImBank's review, the process can move very quickly. Note: For both the Export Credit Insurance listed above and the Guarantees for Commercial Loans, the Commercial Service in Buenos Aires recommends, on the basis of commercial terms, that the importer use a bank located in the United States to disburse the loan. U.S. based banks are currently offering much more competitive interest rates for loans backed by an ExImBank guarantee than are Argentine banks or U.S. banks based in Argentina. This is because the banking system in the United States is much more competitive. THE FOLLOWING ARE A LIST OF U.S. BANKS OPERATING WITH EXIMBANK:

First International Bank

280 Trumbull St.

Hartford, CT 06103

Contact: Barbara Albert

Tel: 860-241-2508

Email: AlbertB@firstinterbank.com

In Argentina: First International Bank

Tucuman 994, Piso 5

(1049) Capital Federal

Sr. Diego La Torre

Email: dlatorre@cimacapital.com

Sr. Ignacio Liaudat

Tel/Fax (54-11) 4326-4122 / 4163 / 4328-4320

Note: This is the bank that has managed the largest number of ExIm transactions in the last two years. Its focus is on small and medium sized transactions, with a minimum of \$150,000 and a maximum of \$10 million. This bank was recognized as "1997 Small Bank of the Year".

PNC Bank NA

Two PNC Plaza – 11<sup>th</sup> Floor

86  
620 Liberty Ave.  
Pittsburgh, PA 15265  
Contact: Marcia Dias, Vice President  
Tel 412-762-8432  
Fax 412-762-5022  
Email: [marcia.dias@pncbank.com](mailto:marcia.dias@pncbank.com)  
In Argentina: Alejandro Simancas  
American Capital Finance Group  
Panamericana Km. 53  
(1629) Pilar – Buenos Aires  
Tel/Fax: (54-2322) 434-627  
Email: [bysrusso@infovia.com.ar](mailto:bysrusso@infovia.com.ar)

Note: For several years, PNC Bank has been a constant user of Ex-Im Bank programs, and is considered one of the most active users of these programs in the U.S.

AmTrade International Bank  
777 Brickell Ave.  
Penthouse, Suite 1300  
Miami, Florida 33131  
Tel: 813-831-5187  
Fax: 813-832-5762  
Contact: Charlotte Starfire, Vice President  
E-mail: [amtrade1@tampabay.rr.com](mailto:amtrade1@tampabay.rr.com)  
Note: Completed 30 operations en Argentina. Will consider operations with a minimum value of US\$ 250.000, but prefers transactions with an approximate value of US\$ 500.000.

CoBank (in Argentina)  
Juan Segundo Fernandez 256, Of. 17  
(1642) San Isidro, Pcia. Buenos Aires  
Tel (54-11) 4735-3349  
Fax (54-11) 4735-3076  
Contact: Sr. John D. Longwell, Vice President & Representative in Latin America  
Tel (54-11) 4735-3349  
Email: [jdlongwell@cobank.com](mailto:jdlongwell@cobank.com)  
Sra. Diane Thompson, Manager  
Tel (54-11) 4735-3346  
Email: [dthompson@cobank.com](mailto:dthompson@cobank.com)  
Note: Based in Colorado. Its main focus is on agricultural projects.

Firststar  
777 E. Wisconsin Ave.  
Milwaukee, Wisconsin 53202  
Tel: 414-465-5452  
Fax: 414-765-5062  
Contact: Teresa McBride

Email: [teresa.mcbride@firststar.com](mailto:teresa.mcbride@firststar.com)

Note: Offers coverage for a minimum of US\$300.000

#### Republic Bank

2800 Ponce de Leon Blvd. Floor 9<sup>th</sup>

Coral Gables, Florida 33134

Tel: 305-774-5088

Fax: 305-774-5249

Contact: Olga Prado, Specialist, Export Program

E-mail: [RNBINTO@gate.net](mailto:RNBINTO@gate.net)

E-mail: [OLGUI1116@aol.com](mailto:OLGUI1116@aol.com)

Note: Minimum coverage US\$ 250.000.

#### Silicon Valley Bank

Mail Sort NC411

3003 Tasman Drive

Santa Clara, California 95054

Contact: Mr. Larry Fountain, Senior VP/Int'l Banking Mgr.

Email: [lfountain@svbank.com](mailto:lfountain@svbank.com)

Tel: 408-654-7400

Fax: 408-496-2418

Note: Focus on technology sectors (telecommunications, semi-conductors, software, etc.). Has no minimum coverage, and has done operations of as low as US\$500.000

#### South Trust Bank

Atlanta International Office

One Georgia Center

600 West Peachtree Street 7<sup>th</sup> Floor

Atlanta, Georgia 30308

Contact: Hilda Sullens

Tel: 205-254-5626

Contact: Chris Pirkle

Tel: 404-853-5491

Note: Minimum size of operation US\$ 1 million.

#### Allfirst Bank

Mail Code: 101-485

25 S. Charles Street

Baltimore, Maryland 21201

Contact: Tom N. Ulrey, Vice President

Tel: 410-244-4853

Fax: 410-244-4328

88

Email: Tom.Ulrey@allfirst.com

Note: Allfirst Bank is one of the most active operators in medium-term ExIm insurance. Main focus is on 2 to 5 year loans, ranging from US\$250,000 to US\$10 million.

The inclusion of these banks does not imply endorsement by the U.S. Department of Commerce or any other U.S. Government Agency.

Direct Loans from ExImBank provide foreign buyers with competitive, fixed-rate financing for the purchase of U.S. capital goods and related services. ExImBank extends direct loans to Argentine buyers of U.S. exports, for up to 85 percent of the U.S. export value. For the most part, rates are the official minimum rates based on U.S. Treasury rates plus a spread agreed on by members of the OECD (Organization of Economic Cooperation and Development), and depend on the repayment period.

Lease Guarantee Program: Provides guarantees for financing of large leases of U.S. manufactured goods.

Engineering Multiplier Program: Stimulates export of U.S. architectural, industrial design, and engineering services through loans or guarantees of up to 85 percent of the U.S. export value of services, for projects with the potential of generating U.S. exports of \$10 million or double the original export contract, whichever is greater. Also, guarantees commercial financing for approved project related costs in the host country of up to 15 percent of the U.S. export value.

Project Finance is available for projects that do not rely on the typical export credit agency security package but need long-term cash flow financing. As developing nations turn away from sovereign-guaranteed borrowing, ExImBank's project financing program is assisting U.S. exporters to compete in new international growth industries such as the development of private power, telecommunications and other infrastructure.

There are many ways to contact ExImBank: •Browse their Internet site at [www.exim.gov](http://www.exim.gov) for 24-hour access to ExImBank and to its programs. •Call their toll free telephone number (800) 565-EXIM. •For more information and to get on their mailing list log on to [www.exim.gov](http://www.exim.gov) to fill out an information form. •Contact one of ExImBank's five regional offices in New York, NY; Miami, FL; Houston, TX; Chicago, IL; or Long Beach, CA.

Environmental Technologies are a special case for ExImBank financing. Longer terms and preferential rates may be obtained under an ExImBank program designed to support U.S. environmental exports. The Bank has signed an MOU with the Secretariat of Environmental Policy of the Province of Buenos Aires to promote up to 250 million dollars of exports under this program.

Agreements with other Argentine Agencies: ExImBank also signed MOUs with the Argentine Secretariat for Small and Medium Enterprises and with the Government of the City of Buenos Aires for exports related to projects in their respective jurisdictions.

Small Business Administration

The Small Business Administration (SBA) has the Export Working Capital Program to support small and medium sized exporters. Contact 1-800-U-ASK-SBA for information on SBA district offices or U.S. Export Assistance Centers.

### Multilateral Development Bank Operations

The International Bank for Reconstruction and Development (IBRD or World Bank) provides funding for projects in Argentina. It also provides technical assistance and policy advice. IBRD raises the money through the sale of AAA-rated bonds in international capital markets. Loans are made only to governments or to agencies that can obtain a government guarantee. The IBRD also provides partial risk or partial credit guarantees (with a counter-guarantee from their government) to private lenders on development projects. The interest rates are variable, set at half a percentage point above the Bank's average cost of borrowing or LIBOR. Repayment is usually between twelve and fifteen years, including a grace period of three to five years. Opportunities for U.S. companies exist to supply goods and services concerning these loans.

The International Finance Corporation (IFC) is an affiliate of the World Bank that also provides project financing for private investment in Argentina. IFC offers long-term loans and equity investments, and other financing services. IFC will generally invest up to 25 percent of the total project cost. Besides project finance, IFC also provides legal and technical assistance to private enterprises. Unlike the IBRD and IDA, the IFC does not require government guarantees. U.S. companies seeking direct investment funds should contact the IFC.

The Multilateral Investment Guarantee Agency (MIGA) was established in April 1988 to help investors address problems of political risk. Investors' concerns about political risk slowed the flow of foreign direct investment that in turn slowed the creation of jobs, and the transfer of modern technology. MIGA's purpose is to promote the flow of foreign direct investment among member countries by insuring investments against non-commercial (political) risk and by providing promotional and advisory services to help member countries create an attractive investment climate. U.S. companies seeking investment guarantees should contact MIGA (or OPIC – see below). For further information on MIGA, World Bank funded projects in Argentina, and assistance, contact:

The Inter American Development Bank (IADB) also provides financial support to projects in Argentina, at similar interest rates and with similar repayment terms. The Inter American Finance Corporation (IAFC) is to the IADB what the IFC is to the World Bank.

Commercial Service Liaison Staff  
Office of the U.S. Executive Director  
The World Bank  
1818 H Street NW  
Washington DC 20433  
Tel: (202) 458-0118 or 0120  
Fax: (202) 477-2967

For contact information on multilateral bank representatives in Argentina see Chapter XI: U.S. and Country Contacts.

Following are some active World Bank-funded projects for Argentina:

-\$3 billion. A new CAS (Country Assistance Strategy) for Argentina proposes to direct \$3 billion in loans between 2000 and 2004 to reduce poverty, strengthen performance of the State (particularly at Provincial level), and support government efforts to consolidate structural reforms.

-\$52.5 million. Loan to strengthen public health surveillance and disease control to reduce the incidence of diseases that disproportionately affect the poor.

-\$30.9 million. Loan to strengthen the mining sector.

-\$18 million. Loan to strengthen pollution control.

-\$284 million. Trabajar II project to support micro-enterprises.

- \$190 million. Financing investments designed to increase the quality and efficiency of secondary education will increase student learning in seven selected provinces. Total cost: \$268.7 million.

- \$300 million. The government's effort to promote fiscal reform in its provinces will be supported.

- \$500 million. The government will be assisted in providing an orderly framework for costs associated with the privatization/closure of weak provincial banks.

- 225 million. Financial support and incentives will be provided for the provinces to undertake their own public sector-reform programs consistent with the national program. Total cost: \$321 million.

- \$210 million. Public sector management at the provincial and municipal levels will be made more effective through improved financing mechanisms for municipal investments. Total cost: \$600 million.

- \$450 million. Financial Support will be provided for the National Highways Rehabilitation and Maintenance Project to preserve the Argentine national road network.  
Total Cost: \$929 million

World Bank Officers for Argentina in Washington D.C.

Country Officer:

Mr. Mark V. Hagerstrom (202) 473-9208

Economists:

Mr. Paul Levy (202) 473-0124

Mr. David Rosenblatt (202) 473-7930

A part of the International Trade Administration (U.S. Department of Commerce), Multilateral Development Bank Operations (MDBO) provides U.S. firms counseling on multilateral bank opportunities, and advocates for U.S. firms. The liaison officers at each of the multilateral development

banks are a valuable source of information on projects in Argentina financed by the banks.

Contact: MDBO (202) 482-3399, Fax (202) 273-0927; Liaison at Inter-American Development Bank (202) 623-3821, Fax (202) 623-2039; Liaison at World Bank (202) 458-0120, Fax (202) 477-2967.

#### Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) offers assistance to U.S. private investors in the form of political risk insurance, as well as loans and loan guarantees for their direct investment in Argentina. OPIC's main programs are:

**Investment Insurance:** Provides insurance against the risks of currency inconvertibility, expropriation, and loss of assets or income caused by political violence. Coverage is available for new investments and for investments to expand or modernize existing operations.

**Investment Programs:** Medium to long term financing for sound overseas investment projects is made available through loan guarantees and direct loans. Loan guarantees generally range from \$10 million to \$75 million, and direct loans generally range from \$2 million to \$10 million. Direct loans are reserved for projects significantly involving small businesses or cooperatives. OPIC's financing commitment may range from 50 percent of total project costs for new ventures to up to 75 percent for expansions of existing operations, with maturities of five to twelve years, occasionally longer.

Contact: Information officer (202) 336-8799, Fax 408-5155. There is an automated information service via a fax retrieval line: (202) 336-8700.

#### Multilateral Investment Guarantee Agency

Argentina is also a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), which offers foreign investment insurance to firms from member countries, including the U.S.

#### U.S. Trade and Development Agency

The U.S. Trade and Development Agency (TDA) has invested nearly \$7 million in Argentina for feasibility studies and other activities that support infrastructure development and modernization projects. Companies should contact the TDA library for more information (703) 875-4357. The following are some projects with TDA involvement:

**Andean Highway Passes project:** \$695,400 Grant through the Evergreen Fund at IDB for a feasibility study on the Andean Highway Passes project to be carried out by Argentina's National Directorate of Roads.

**ITS Architecture Project:** \$315,000 Grant to OCRABA (Agency for Control of Access Roads to Buenos Aires) to study feasibility of an Intelligent Transport System in the main highways and toll roads into Buenos Aires.

TDA also helps to develop enhanced opportunities for U.S. companies in infrastructure development projects in Argentina by inviting Argentine officials in charge of the projects to visit the U.S. and meet with potential U.S. bidders. Examples of such Orientation Visits paid by TDA include:

- Vessel traffic System (VTS) in June of 1999. The delegation, including the Argentine Government's Under Secretary for Ports and Waterways presented the plans to call for bids for an integrated vessel management system in the port of Buenos Aires, the Hidrovia on the Parana River and the Riovia on the Uruguay River. Potential U.S. exports are estimated at \$40 million.
- Air Space Control System. TDA offered to train air traffic controllers at FAA facilities if the radar project favors a U.S. supplier.
- Airport Privatization: Following the privatization of 33 airports, TDA financed four studies by specialized consultants to assist the Airport Regulatory Agency in defining its internal structure and its role in the management of 25 airports that remain under government control.

#### Private Sector Banks

U.S. Banks in Argentina: Citibank and Bank Boston are among the oldest and largest foreign retail banks in Argentina and have supported both U.S. and other foreign and Argentine bidders.

American Express Bank, Bank of America, The Chase Manhattan Bank, Morgan Guaranty Trust, The Bank of New York, Norwest Bank, First Bank of Milwaukee, and Republic National Bank of Miami have subsidiaries or representatives in Buenos Aires. Most Argentine banks maintain correspondent arrangements with U.S. banks.

See Appendix E. Country Commercial Banks, for a list of Argentine banks with branches in the U.S.

## IX. BUSINESS TRAVEL

### Geography and Climate

Argentina is located in southern South America and has a total area of approximately 1,500,000 square miles including the mainland and the Argentine Antarctica and South Atlantic Islands. It is the eighth largest country in the world, approximately the size of the part of the U.S. east of the Mississippi River. Topography and climate vary significantly, with the high Andes mountains in the west, subtropical climate in the northeast, temperate climate in the middle part of the country, and semi-arid and cold in the southern part. The middle third of the country, which includes Buenos Aires, contains the greatest part of the population, as well as most of the economic activity and agricultural production.

Travelers should note that Argentina is in the Southern Hemisphere, meaning its seasons are reversed from those in the North. Summer in the U.S. is winter in Argentina, and vice versa. School summer vacations take place from Christmas through March, instead of June through August. We recommend against travelling plans to conduct business meetings in Argentina in January, since

most businesses are either closed or working on a limited schedule. Consult your business contacts, and plan travel times and clothing accordingly. Summer, particularly the month of January, is hot and humid in Buenos Aires. In winter the coldest month is July, with temperatures ranging in the 40s and 50s. Snow is very rare in Buenos Aires. The best months for business travel to Argentina are April through November.

## Time

Argentina is three hours behind Greenwich Mean Time, and two hours ahead of Eastern Standard Time. Argentina does not have daylight saving time changes. Therefore, the time difference with Eastern Standard Time is one hour, but with Eastern Daylight Time it is two hours. The 24-hour system is generally used rather than the 12-hour a.m./p.m. system. For example: 3.00 p.m. is referred to as 15.00 hours.

Business office hours are generally Monday to Friday from 9.00 a.m. to 6.00 p.m. (two hours early for factories) with one-hour lunch break. Work luncheons are frequent for business executives and they generally extend from 1.00 to 3.00 p.m. Business dinners, and dinners in general, do not begin until 9.00 or 10.00 p.m., therefore it is common to return home or to the hotel to sleep for few hours before going out. Because evenings starts late and end late, the early evening nap is the secret to being functional the next day. It is advisable to not schedule morning meetings before 10.00 a.m. Business breakfasts are not common.

Retail stores are generally open from 9.00 or 10.00 a.m. to between 6.00 and 9.00 p.m., Monday through Saturday. Banks are open to the public from Monday through Friday from 10.00 a.m. to 3.00 p.m.

## Business Customs

As in many countries, U.S. executives intending to successfully do business in Argentina should take the time to develop a close personal relationship with their agent, representative, distributor or other business partner, and maintain it with regular visits.

Argentine customs are generally more formal compared to those in the U.S. Business dress, appearance and general approach and demeanor should be conservative. Politeness is very important, and efforts to rush a business deal will unlikely be met with success. To establish trust, time spent on social activities is fundamental to developing a solid business relationship. It is important to shake hands with everyone in the room upon arriving and leaving, and with women, it is customary to kiss once on the right cheek, or shake hands.

Contacts and introductions are important, therefore use the services of the Commercial Service office at the U.S. Embassy in Buenos Aires, or other organizations such as the American Chamber of Commerce, industry associations, or other contacts, as opposed to the direct "cold call" approach. The "Gold Key Service" offered by the Commercial service is an excellent way of finding the right contacts, and having a schedule of meetings set up.

It is important to be prompt to business meetings, and always have a pre-arranged appointment. Be sure to have an ample supply of business cards. It is beneficial to have cards printed in Spanish as

well as English, although not necessary.

One cultural consideration U.S. travelers should note is that the term “American” denotes someone from the Americas, North or South, not just from U.S. Saying you are from the United States (los Estados Unidos) is clearer.

### Language

Spanish is the national language of Argentina, although many business people speak English, and other European languages as well. Do not assume, however, that your contacts will speak English. For U.S. business people who speak Spanish, note that the Argentine version of Spanish has distinct differences in pronunciation, cadence and vocabulary. As noted in Chapter 4, any printed matter translated into Spanish should be reviewed first by a native Argentine to assure its suitability in Argentina.

It is wise as well as courteous to hire an interpreter to assist in business meetings unless you are certain that all parties speak English fluently. A list of interpreters is available upon request from the Commercial Service office at the U.S. Embassy. Many large business hotels can also provide this service.

All business in Argentina is transacted in Spanish, and all documents and records must be in Spanish to constitute valid evidence. Business documents in a foreign language to be presented for legal purposes to Argentine authorities should be translated by a certified public translator. A list of certified public translators is available upon request from the Commercial Service office at the U.S. Embassy.

### Currency

The Argentine currency is the peso, and is signified by the same symbol \$, as the U.S. dollar. A convenient feature for U.S. travelers is the conversion rate, which by law is set at one peso to one dollar. This one-to-one rate means that travelers first arriving in Buenos Aires can use U.S. dollars until they have the opportunity to change money to pesos. Automatic tellers are widely available in Buenos Aires, allowing travelers with a variety of credit or debit cards to withdraw funds automatically in local currency. Many automatic tellers even provide the option of withdrawing U.S. currency as well. Note that in some locations paying with travelers checks may not be accepted.

Prices in Buenos Aires are comparable to those in the most expensive U.S. cities for hotels, restaurants and related travel expenses.

### Visas

Visas are not required for U.S. citizens traveling to Argentina for up to 90 days of tourism or business except holders of U.S. Diplomatic and Official passports. Visitors may request an extension of stay up to 90 days from the Argentine Immigration Service at:

Direccion Nacional de Migraciones

Av. Antartida Argentina 1355, Edificio 1, Piso 1.  
 (1104) Buenos Aires. Argentina.  
 Tel: 54-1-311-7695 or 313-2777.  
 Fax : 54-1-313-1778

### Working and Other Long-Term Visas

Although it is possible to arrange a work permit following arrival in Argentina, the process is usually more complicated and time-consuming than applying for a visa abroad, and one may not begin remunerated employment until permission has been granted. Therefore, it is preferable to begin the work visa process as early as possible through applying at an Argentine consular office abroad.

Argentine immigration law provides for the following temporary and permanent resident categories and conditions:

Transitory residents, tourists and students are not allowed to carry on a remunerated or profitable activity unless expressly authorized by the immigration authorities.

Temporary residents may perform such activities during their authorized stay if they obtain a work permit. The work permit can be obtained from the immigration authorities at the Immigration Office, upon prior filing of relevant documentation. The permit authorizes a stay from one to three years.

Permanent residents may perform any kind of remunerated or profitable activity, either as employees or self-employed.

To obtain temporary or permanent resident status, foreigners must apply for a visa at an Argentine consulate abroad or file documentation with Argentine immigration authorities after arrival in Argentina, including original birth and marriage certificates, as well as certificates of good conduct (certificates stating that they do not have a criminal record) within Argentina and in their country of origin; they should also have a health examination by doctors of the Immigration Office. Certificates issued in the U.S. must be certified by an Argentine Consul and then by the Argentine Foreign Ministry, or, alternatively—under the Hague Convention—either by the Secretary of State of a U.S. state, or by the U.S. Department of State in the case of documents certified by U.S. federal agencies.

There are special immigration provisions for some foreign professional, scientific or technical research personnel hired abroad to render services in Argentina for a maximum of two years. They must not be resident in Argentina and must be covered for contingencies such as old age, disability or death by the law of their own country.

### Business Infrastructure

#### Transportation

U.S. carriers flying to Argentina include United Airlines and American Airlines. The primary gateways are from Miami and New York. Aerolineas Argentinas also flies between the U.S. and Argentina and offers an additional route covering Los Angeles-Buenos Aires. In country travel, and

travel between Argentina and other South American countries is widely available from a variety of Argentine and foreign carriers. Two main airports serve Buenos Aires. One is Aeroparque Jorge Newbery, near downtown. All domestic flights and some regional flights to Uruguay, Brazil and Paraguay leave from Aeroparque. All other international flights, including those from the United States, land at Ezeiza International Airport, which is a 45 minutes drive (\$50 cab fare) from Buenos Aires.

Buenos Aires has an extensive system of subways and buses. Taxis are plentiful and fares are reasonable, and are generally the most effective way of moving around Buenos Aires. A widely available type of private car service, called “remise”, is also available and is recommended for transporting from Ezeiza International Airport into Buenos Aires. Remise services have counter at the airport.

Railroad travel is available from several stations in downtown Buenos Aires. Commuter trains link Buenos Aires with most suburban areas, and long-distance trains connect most large cities. Travel outside greater Buenos Aires can be accomplished by train, bus or car, although air travel is recommended for many trips to the provinces because of the distances involved.

Automobile rental is available throughout the country, although quite expensive. Travelers should be aware that Argentina has a high rate of auto accidents, and driving is not recommended for travelers in country for short visits.

## Lodging

See Appendix E for a list of major business hotels in Buenos Aires.

## Communications

Telephone service, both international and local are adequate. The new owners of the privatized telephone system have vastly improved operations. Many business people use cellular telephones to make their work more efficient. Both domestic and international long distance calls in Argentina are notably expensive; doubly so from hotels. ATT, MCI and Sprint have local numbers which halve cost, but may be difficult to connect with during business hours. Callback services are available for established businesses.

Buenos Aires has numerous local television channels that broadcast Spanish language programming. There is also a wide range of cable television channels available, including CNN International, CNN espanol, MTV, as well as channels from Brazil, Chile, Mexico, France, Germany, Italy and others.

International papers and magazines, including a wide range from the U.S., are widely available at the numerous kiosks to be found around Buenos Aires.

## Health

Buenos Aires has no particular health risks and no special precaution need to be taken. Sanitary conditions are good. Tap water is safe. Many competent doctors, dentist and specialists are available in Buenos Aires. Outside of Buenos Aires or other cities, basic precautions, such as drinking bottled

water, are recommended.

## Holidays

Argentine national holidays are:

- January 1, New Year's Day
- April 21, Good Friday
- May 1, Labor Day
- May 25, Revolution (1810) Day
- June 10, Sovereignty Day
- June 19, Flag Day (Actual date: June 20)
- July 9, Independence (1816) Day
- August 21, Death of San Martin (Actual Date: August 17)
- October 16, Columbus Day (Actual Date: October 12)
- December 8, Immaculate Conception
- December 25, Christmas

In addition, on a number of "non-work days", Government offices, banks, insurance companies and courts are closed, but closing is optional for business and commerce, such as Holy Thursday (immediately before Easter). The U.S. Embassy closes on all U.S. Federal holidays in addition to the above.

## Security Assessment

Buenos Aires is a high crime area. Therefore, U.S. visitors and residents should take the same precautions they would take in any major U.S. and foreign metropolis. There are no specific threats directly against American visitors at the present time. It is recommended, however, that due caution be exercised when traveling about the city, including avoiding wearing expensive jewelry or carrying large amounts of cash. Pickpockets and thieves abound even on busy streets and are especially common in areas frequented by tourists, such as the Florida Avenue mall in Central Buenos Aires, in public conveyances and other visitors frequent, such as hotel lobbies, airports and shopping malls. Because of many cases of robberies in false taxis, visitors should, whenever possible, call radio taxis instead of flagging passing taxis on the street.

## X. ECONOMIC AND TRADE STATISTICS

### A. COUNTRY DATA

#### Profile

- Population: 37 million
- Population growth rate: 1.4 percent per annum
- Religion: Predominantly Roman Catholic
- Government system: Constitutional federal

republic

- Language: Spanish
- Workweek: Monday - Friday

## B. DOMESTIC ECONOMY

|                                | Year | 1998   | 1999   | 2000(*) |
|--------------------------------|------|--------|--------|---------|
| Income, Production, Employment |      |        |        |         |
| Nominal GDP (US\$ billions)    |      | 298    | 283    | 293     |
| Population, millions           |      | 35.5   | 36.2   | 36.5    |
| Pct change GDP                 |      | 3.9    | (3.0)  | 2.5     |
| GDP per capita (US\$) 8,300    |      | 7,700  | 8,000  |         |
| Labor force, thousands         |      | 14,000 | 14,200 | 14,400  |
| Unemployment rate, pct         |      | 12.9   | 14.3   | 15.0    |
| Money and Prices               |      |        |        |         |
| Domestic savings, pct of GDP   |      | 15     | 15     | 15      |
| Investment as pct of GDP       | 20   | 19     | 19     |         |
| Consumer prices, pct increase  |      | 0.7    | (1.8)  | 0.5     |
| Avg. exchange rate (peso/US\$) |      | 1.0    | 1.0    | 1.0     |

Note: (\*) Data for 2000 are Embassy estimates.

## C. TRADE (US\$ BILLIONS)

|                                    | Year | 1998  | 1999  | 2000(*) |
|------------------------------------|------|-------|-------|---------|
| Payments and Trade (US\$ billions) |      |       |       |         |
| Total exports                      |      | 26.4  | 23.3  | 25.6    |
| Exports to U.S.                    |      | 2.3   | 2.6   | 2.9     |
| Total imports                      |      | 31.4  | 25.5  | 27.3    |
| Imports from U.S.                  |      | 5.9   | 5.0   | 5.2     |
| Trade balance                      |      | (5.0) | (2.2) | (1.7)   |
| Trade balance with U.S.            |      | (3.6) | (2.4) | (2.3)   |
| Public sector debt, year end       |      | 112   | 122   | 130     |
| Current account balance            |      | (15)  | (12)  | (13)    |
| Foreign exchange reserves          |      | 25    | 25    | 25      |

Note: (\*) Data for 2000 are Embassy estimates.

PRINCIPAL U.S. EXPORTS TO ARGENTINA: Electric power generation equipment; machinery; plastics; telecommunications equipment; oil and gas pipeline equipment; mineral oils and fuel; food processing equipment.

PRINCIPAL U.S. IMPORTS FROM ARGENTINA: Mineral fuels and oils, animal and vegetable products (including fish, meat, fruits, nuts, sugar), petroleum, stones, iron and steel, leather, tobacco.

#### D. INVESTMENT STATISTICS

##### U.S. Direct Investment Position, by Industry (in U.S. million)

|                                  | 1994  | 1995  | 1996  | 1997   | 1998   |       |
|----------------------------------|-------|-------|-------|--------|--------|-------|
| Petroleum                        | 815   | 745   | 851   | 1,426  | 1,565  |       |
| Manufacturing                    | 2,571 | 3,233 | 3,703 | 3,479  | 3,654  |       |
| Banking                          | 626   | 837   |       | 967    | 1,133  | 1,801 |
| Wholesale Trade                  | 603   | 1,061 |       | 733    | 505    | 340   |
| Finance, Insur.<br>& Real Estate | 801   | 969   | 1,097 | 1,954  | 1,945  |       |
| Services                         | 960   | 180   |       | 206    | 842    | 876   |
| Other                            | 831   | 482   |       | 512    | 663    | 1,308 |
| Total                            | 7,207 | 7,496 | 8,060 | 10,004 | 11,489 |       |

Sources: USDOC Survey of Current Business

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| Apparel/Footwear/Textiles                                   | Liliana Paz        | 2409      |
| Audio/Visual Equipment                                      | Marcelo Amden      | 2405      |
| Automotive  | Eugenio Pallares   | 2456      |
| Aerospace   | Eugenio Pallares   | 2456      |
| Chemicals   | Alvaro Mendez      | 2416      |
| Computers   | Silvia Yaber       | 2410      |
| Construction  | Eugenio Pallares   | 2456      |
| Household Consumer Goods                                    | Juan Coronado      | 2413      |
| Cosmetics and Toiletries                                    | Josette Fiore      | 2406      |
| Education and Training Svcs.                                | Marcelo Amden      | 2405      |
| Electronics/Laboratory Equip.                               | Lara Restelli      | 2560      |
| Energy  | Alvaro Mendez      | 2416      |
| Environmental   | Alvaro Mendez      | 2416      |
| Financial & Insurance Svcs.                                 | Alvaro Mendez      | 2416      |
| Food Processing/Packaging                                   | Liliana Paz        | 2409      |
| General Consumer Goods                                      | Juan Coronado      | 2413      |
| General Industrial Equipment                                | Alvaro Mendez      | 2416      |
| General Services (Advertising,<br>Retailing, Artwork, etc.) | Liliana Paz        | 2409      |
| Healthcare/Medical Equip.                                   | Liliana Paz        | 2409      |
| Hotel/Restaurant Equip.                                     | Juan Coronado      | 2413      |

|                            |                  |      |      |
|----------------------------|------------------|------|------|
| Jewelry                    | Josette Fiore    | 2406 |      |
| Management Consulting Svcs | Marcelo Amden    |      | 2405 |
| Metalworking Equip.        | Alvaro Mendez    | 2416 |      |
| Mining                     | Alvaro Mendez    | 2416 |      |
| Paper/Packaging/Printing   | Liliana Paz      | 2409 |      |
| Ports & Ships              | Eugenio Pallares | 2456 |      |
| Processed/Pet Foods        | Josette Fiore    | 2406 |      |
| Safety & Security Equip.   | Juan Coronado    |      | 2413 |
| Software                   | Silvia Yaber     | 2410 |      |
| Sporting Goods             | Graciela Ezcurra | 2408 |      |
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Phone: (54-11) 4312-7526, (54-11) 4315-4724

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E-mail: [estudio@abelgott.satlink.net](mailto:estudio@abelgott.satlink.net)Internet: <http://www.abelgott.com>

## ALLENDE &amp; BREA

Dr. Teodosio Brea, Partner

Maipu 1300, Piso 10

1006 Buenos Aires, Argentina

Phone: (54-11) 4313-9191, (54-11) 4313-9292

Fax: (54-11) 4312-5288, (54-11) 4313-9010

E-mail: [lex@allendebrea.com.ar](mailto:lex@allendebrea.com.ar)Internet: <http://www.allendebrea.com>

## BAKER &amp; MCKENZIE

Dr. Avelino Rolon, Partner

Dr. Patricia Gonzalez Presedo, Partner

Av. Leandro N. Alem 1110

1001 Buenos Aires

Phone: (54-11) 4310-2200

Fax: (54-11) 4311-6435

E-mail: [horacio.soares@bakernet.com](mailto:horacio.soares@bakernet.com)

Internet: <http://www.bakernet.com/>

**BRONS & SALAS**

Dr. Alfredo Rovira, Partner  
Marcelo T. de Alvear 624, Piso 1  
1058 Buenos Aires, Argentina  
Phone: (54-11) 4891-2700  
Fax: (54-11) 4311-9271  
E-mail: [brons@brons.com.ar](mailto:brons@brons.com.ar)  
Internet: <http://www.brons.com.ar>

**MARVAL, O'FARRELL & MAIRAL**

Dr. Alfredo O'Farrell, Partner  
Dr. Patricia Lopez Aufranc, Partner  
Leandro Nalm 928 Piso 7  
1001 Buenos Aires, Argentina  
Phone: (54-11) 4310-0100  
Fax: (54-11) 4310-0200  
E-mail: [marval@marval.com.ar](mailto:marval@marval.com.ar)  
Internet: <http://www.marval.com.ar>

**ESTUDIO CIAMPOLI ABOGADOS**

Reconquista 1017, Piso 5  
1003 Buenos Aires  
Phone: (54-11) 4313-7364;4314-2851  
Fax: (54-11) 4313-0658  
E-mail: [ciampoli@interserver.com.ar](mailto:ciampoli@interserver.com.ar)

**Telecommunications Attorneys**

**ESTUDIO GABRIELA MARSIGLIA**

Dra. Gabriela Marsiglia, Partner  
Av. Santa Fe 995, Piso 6  
1059 Buenos Aires, Argentina  
Phone: (54-11) 4325-5050  
Fax: (54-11) 4393-2420  
E-mail: [gmarsiglia@impsat1.com.ar](mailto:gmarsiglia@impsat1.com.ar)

**MARVAL, O'FARRELL & MAIRAL**

L. N. Alem 928  
(1001) Buenos Aires  
Ph: (54-11) 4310-0100 ext. 1503  
Fax: (54-11) 4310-0200  
E-mail: [lgl@marval.com.ar](mailto:lgl@marval.com.ar)  
Internet: <http://www.marval.com.ar>

**OYANARTE & FARGOSI**

112  
Dr. Alejandro Fargosi  
Av. Alvear 1580, Piso 1  
1014 Buenos Aires  
Phone: (54-11) 815-7650  
Fax: (54-11) 815-1084  
E-mail: [afargosi@infovia.com.ar](mailto:afargosi@infovia.com.ar)

ESTUDIO DE LOS DRES. O'FARRELL  
Dr. Julian Gonzalez  
Av. De Mayo 645 Piso 1  
1084 Buenos Aires, Argentina  
Phone: (54-11) 4346-1080/1000  
Fax: (54-11) 4331-1659  
E-mail: [gonzalesj@estudio-o'farrell.com.ar](mailto:gonzalesj@estudio-o'farrell.com.ar)

SANCHEZ ELIA, PINEDO Y ASOCIADOS  
Dr. Jose Sanchez Elia, Partner  
Avda. Leandro N. Alem 1026, Piso 4 "G"  
1001 Buenos Aires  
Phone: (54-11) 4312-4991  
Fax: (54-11) 4311-4038  
E-mail: [fpinedo@interar.com.ar](mailto:fpinedo@interar.com.ar)

Telecommunications Consultants

ATLANTIC CONSULTING  
Jorge Crom, President  
Suipacha 868, Piso 2  
1008 Buenos Aires, Argentina  
Phone: (54-11) 4325-4194/95  
Fax: (54-11) 4325-4193  
E-mail: [info@whalecom.com.ar](mailto:info@whalecom.com.ar)

BCC S.A.  
Raul Parodi  
Engineer and Consultant in Communications  
Uruguay 239, Piso 7 G  
1037 Buenos Aires  
Phone: (54-11) 4371-3578  
Fax: (54-11) 4372-3949  
E-mail: [rparodi@arnet.com.ar](mailto:rparodi@arnet.com.ar)

AR. CONSULT  
Telecommunication Consultants  
Oscar A. Grand, President  
Av. Alicia M. Justo 872, Piso 1, Of. 16

1107 Puerto Madero  
Phone: (54-11) 4300-0563  
Fax: (54-11) 4084-5190  
E-mail: [oscar.grand@telco.com.ar](mailto:oscar.grand@telco.com.ar)

#### Intellectual Property Consultants

NOTINGER & ARMANDO  
Av. 25 de Mayo 489, Piso 8  
1339 Buenos Aires, Argentina  
Phone: (54-11) 4315-9200  
Fax: (54-11) 4315-9201  
E-mail: [info@noetar.com.ar](mailto:info@noetar.com.ar)

#### CONSULTORES PROPIEDAD INDUSTRIAL

Dr. Ignacio de Apellaniz  
Florida 15, Piso 10, Of. 32  
1005 Buenos Aires, Argentina  
Phone: (54-11) 4343-5784  
Fax: (54-11) 4343-5329  
E-mail: [ipaz@smmart.net.ar](mailto:ipaz@smmart.net.ar)

#### Country Commercial Banks with Branches in the U.S.

##### AMERICAN EXPRESS BANK Ltd. S.A.

Arenales 707  
Buenos Aires  
Phone 54-11-4310-3000  
Fax 54-11-4315-1866

##### BANK OF AMERICA NT & SA

25 de Mayo 555 Piso 1  
1002 Buenos Aires  
Phone: 54-11-4319-2600  
Fax: 54-11-313-0476

##### THE CHASE MANHATTAN BANK

Arenales 707 Piso 5  
1061 Buenos Aires  
Phone: 54-11-4319-2400  
Fax: 54-11-4319-2416

##### CITIBAK NA

Bartolome Mitre 1914  
1036 Buenos Aires

114  
Phone: 54-11-4329-1000  
Fax: 54-11-4310-7823

THE FIRST NATIONAL BANK OF BOSTON  
Florida 99  
1005 Buenos Aires  
Phone: 54-11-4346-2000  
Fax: 54-11-346-3344

MORGAN GUARANTY TRUST CO. NEW YORK  
Corrientes 411  
Buenos Aires  
Phone 54-11-4325-8046  
Fax 54-11-4348-7296

REPUBLIC NATIONAL BANK OF NEW YORK  
Bartolome Mitre 343  
Buenos Aires  
Phone 54-11-4349-1600  
Fax 54-11-4349-1691

THE BANK OF NEW YORK S.A.  
25 de Mayo 199  
Buenos Aires  
Phone 54-11-4331-1111  
Fax 54-11-4331-1111

BANCO DE GALICIA Y BUENOS AIRES  
Mr. Eduardo J. Escasany, President  
Tte. Gral. J.D. Peron 407  
1038 Buenos Aires  
Phone: (54-11) 4329-6487  
Fax: (54-11) 4329-6486  
Internet: <http://www.bancogalicia.com.ar>  
Comments: Branch in New York City.

BANCO DE LA NACION Argentina  
Mr. Roque Maccarone, President  
Bartolome Mitre 326  
1036 Buenos Aires  
Phone: (54-11) 4347-8952  
Fax: (54-11) 4331-8957  
Internet: <http://www.bna.com.ar>  
Comments: Branch in New York City.

BANCO DE LA PROVINCIA DE BUENOS AIRES  
Dr. Carlos E. Sanchez, President

Av. Monteverde 726  
1900 La Plata  
Prov. de Buenos Aires  
Phone: (54-21-) 23-0120/9  
Main Branch  
San Martin 137  
1004 Buenos Aires  
Phone: (54-11) 4331-2561/9/4011/5/3584/9  
Internet: <http://www.bapro.com.ar>  
Comments: Branch in New York City.

BANCO RIO DE LA PLATA  
Sr. Amadeo R. Vazquez, Executive Vice President  
Bartolome Mitre 480  
1036 Buenos Aires  
Phone: (54-11) 4341-1000  
Fax: (54-11) 4341-1554  
Internet: [www.bancorio.com.ar](http://www.bancorio.com.ar)  
Comments: Branch in New York City.

#### Multilateral Development Bank Offices in Argentina

WORLD BANK FIELD OFFICE  
Ms. Myrna Alexander, Resident Representative  
Av. Leandro N. Alem 628-30, Piso 12  
1003 Buenos Aires  
Phone: (54-11) 4313-6816/6851/4586  
Fax: (54-11) 4313-1233  
Internet: <http://www.worldbank.org/>

INTERNATIONAL FINANCE CORPORATION  
IFC FIELD OFFICE  
Ms. Ileana Boza, Resident Representative  
Edificio Pirelli  
Maipu 1300, Piso 12  
1006 Buenos Aires  
Phone: (54-11) 4315-1666/1707/1353  
Fax: (54-11) 4312-9435  
Internet: <http://www.ifc.org/>

#### Customs Brokers in Argentina

ORIOLA Y ASOCIADOS S.A.  
Av. Belgrano 265, Piso 4  
1092 Buenos Aires

116  
Phone/Fax: (54-11) 4342-4148/4153  
Contact: Mr. Norberto E. Oriola  
E-mail: [oriola@waelder.com.ar](mailto:oriola@waelder.com.ar)

NEWTON S.A.  
Bolivar 332, Piso 6  
1066 Buenos Aires  
Phone/Fax: (54-11) 4331-1625/0050  
Contact: Mr. Marcelo Newton  
E-mail: [newton@datamarkets.com.ar](mailto:newton@datamarkets.com.ar)

ESTUDIO VERDIER  
Pres. Luis Saenz Pena 234, Piso 1, Of. G  
(1110) Buenos Aires  
Phone/Fax: (54-11) 4381-1726, 4902-2621  
Contact: Pablo Verdier  
E-mail: [consult@house.com.ar](mailto:consult@house.com.ar)

EDUARDO MIGUEL MONTENEGRO  
Av. Belgrano 258, Piso 11  
1092 Buenos Aires  
Phone/Fax: (54-11) 4343-9099, (54-11) 4345-3019  
Contact: Mr. Eduardo M. Montenegro  
E-mail: [montenegro@giga.com.ar](mailto:montenegro@giga.com.ar)

SAINT GERMAIN  
Peru 590, Piso 4  
1067 Buenos Aires  
Phone/Fax: (54-11) 4331-7069/7090  
Contact: Mr. Carlos Clausi  
E-mail: [sgermain@sion.net](mailto:sgermain@sion.net)

EXIMCARGO S.A.  
Peru 345, Piso 11  
1067 Buenos Aires  
Phone: (54-11) 4331-7856/8667/8699  
Fax: (54-11) 4331-7833  
Contact: Mr. Jorge Czar  
E-mail: [info@eximcargo.com.ar](mailto:info@eximcargo.com.ar)

#### Freight Forwarders

Aero Expreso Internacional S.A.  
Bernardo de Irigoyen 308 Piso 4  
1379 Buenos Aires  
Phone: (54-11) 4334-3023/3027

Fax: (54-11) 4334-3443  
E-mail: [aolarg@informatic.com.ar](mailto:aolarg@informatic.com.ar)

Circle Freight International Argentina S.A.  
Defensa 1200 C.P.  
1065 Buenos Aires  
Phone: (54-11) 4307-2002

Cordoba Internacional S.R.L.  
Av. Las Heras 68  
5000 Cordoba  
Phone/Fax: (54-351) 422-3492

Delfino Cargas Aereas  
San Martin 439-P.B.  
1359 Buenos Aires  
Phone/Fax: (54-11) 4320-1000  
E-mail: [delfibue@attmail.com](mailto:delfibue@attmail.com)

Emery Air Freight Corporation  
San Martin 439 Piso 10  
1359 Buenos Aires  
Phone: (54-11) 4325-1301  
Fax: (54-11) 4325-1308/1361  
E-mail: [schiratti.carlos@emeryworld.com](mailto:schiratti.carlos@emeryworld.com)

Eximcarga S.A.  
Peru 345 Piso 11  
1067 Buenos Aires  
Phone: (54-11) 4331-7856/8667/8699  
Fax: (54-11) 4331-7833

Schenker Argentina S.A.  
Tte. Gral. Peron 949 Piso 5  
1038 Buenos Aires  
Phone: (54-11) 4322-0395/0398  
Fax: (54-11) 4322-0419

#### Maritime Agencies

A.M. Delfino S.A.  
San Martin 483 Piso 2  
1359 Buenos Aires  
Phone: (54-11) 4320-1000  
Fax: (54-11) 4394-5379

118  
Agencia Maritima Dodero S.A.  
Esmeralda 77 Piso 3  
1070 Buenos Aires  
Phone: (54-11) 4331-7100  
Fax: (54-11) 4331-6737

Agencia Maritima Mundial S.A.  
Tucuman 359 Piso 5  
1049 Buenos Aires  
Phone: (54-11) 4313-2390  
Fax: (54-11) 4313-3689

Agencia Maritima Robinson S.A.  
25 de Mayo 277 Piso 8  
1002 Buenos Aires  
Phone: (54-11) 4331-1696/1482  
Fax: (54-11) 4334-0109

Agencia Maritima Sudocean S.A.  
25 de Mayo 555 Piso 19  
1002 Buenos Aires  
Phone: (54-11) 4310-2300  
Fax: (54-11) 4312-1151

Cormoran S.A.  
Carlos Calvo 225/229  
1102 Buenos Aires  
Phone: (54-11) 4362-7357/7770  
Fax: (54-11) 4361-2684

#### Bonded Warehouses

Depositos Fiscal Buenos Aires SA  
Irala 100  
1163 Buenos Aires  
Phone: (54-11) 4307-7900  
Fax: (54-11) 4307-4601  
E-mail: [defiba@infovia.com.ar](mailto:defiba@infovia.com.ar)

Depositos Fiscales S.A.  
Coronel Bosch 302  
1870 Avellaneda  
Prov. De Buenos Aires  
Phone: (54-11) 4201-1206/1207 or 4205-3623  
Fax: (54-11) 4201-1208  
E-mail: [dfisa@ciudad.com.ar](mailto:dfisa@ciudad.com.ar)

Mercosur Containers Service S.A.  
Carlos Pellegrini 3800  
1822 Valentin Alsina  
Prov. De Buenos Aires  
Phone: (54-11) 4208-2710/0426  
Fax: (54-11) 4228-2586  
E-mail: [deriques@diccsa.com.ar](mailto:deriques@diccsa.com.ar)

Servicios de Almacen Fiscal Zona Franca y Mandatos S.A.  
Mirave 3051  
1284 Buenos Aires  
Phone/fax: (54-11) 4303-2545  
E-mail: [bue@software.com](mailto:bue@software.com)

Servitruck S.A.  
Ruta Nacional 193 y Ruta Nac.12  
2800 Zarate  
Prov. De Santa Fe  
Phone: (54-34) 8742-1845/6  
Fax: (54-34) 873-3779  
E-mail: [servitruck@movi.com.ar](mailto:servitruck@movi.com.ar)

Universal Carga S.A.  
Lima 711, Piso 8  
1073 Buenos Aires  
Phone/fax: (54-11) 4383-6694/1228/9960  
E-mail: [ucsa@ciudad.com.ar](mailto:ucsa@ciudad.com.ar)

#### Port Terminals

Terminal 1 y 2 - TPR  
Terminales Portuarias Rio de la Plata S.A.  
Av. R. Castilla y Comodoro Py  
1006 Buenos Aires  
Phone: (54-11) 4319-9500  
Fax: (54-11) 4313-2677  
E-mail: [roberto\\_triay@trp.com.ar](mailto:roberto_triay@trp.com.ar)

Terminal 3 – TPA  
Terminales Portuarias Argentinas S.A.  
Av. De Los Inmigrantes y Edison  
Buenos Aires  
Phone: (54-11) 4317-0600  
Fax: (54-11) 4314-1002  
E-mail: [riccioc@cvtci.com.ar](mailto:riccioc@cvtci.com.ar)

Terminal 5 – BACTSSA  
Buenos Aires Container Terminal Services S.A.  
Calle 8 Av. Tomas Edison  
1104 Buenos Aires  
Phone: (54-11) 4314-0555  
Fax: (54-11) 4314-1882  
E-mail: [rodrigo\\_szeinkop@bactssa.com.ar](mailto:rodrigo_szeinkop@bactssa.com.ar)

Terminal Dock Sud  
Exolgan S.A.  
Alberti 1750 – Dock Sud  
Buenos Aires  
Phone: (54-11) 4229-0000/1100  
E-mail: [ncuculo@exolgan.com](mailto:ncuculo@exolgan.com)

Consorcio de Gestion Puerto de Bahia Blanca  
Av. Dr. M.M. Guido  
8103 Bahia Blanca  
Prov. De Buenos Aires  
Phone: (54) 291-457-3213/14/15/46

#### Pre-shipment Inspection Companies

Societe General de Surveillance (SGS)  
Ken Hewitt  
Address: 8120 NW 53<sup>rd</sup> Street  
Miami, FL 33166  
Phone: 305-592-0410, Ext. 1428  
Internet: [www.sgsgroup.com](http://www.sgsgroup.com)  
Customer Service Desk:  
Phone: 305-597-5938  
Fax: 305-592-6925

Bureau Veritas  
Omar Faura  
Address: 7955 NW 12<sup>th</sup> Street, Suite 100  
Miami, FL 33126  
Phone: 305-436-1243  
Fax: 305-593-7877  
Switchboard: 305-593-7878  
E-mail: [omar.faura@us.bureauveritas.com](mailto:omar.faura@us.bureauveritas.com)  
Internet: [www.bureauveritas.com](http://www.bureauveritas.com)  
In Argentina  
Valeria Garabeli  
Address: Av. L.N.Alem 712, Piso 2

1001 Buenos Aires  
Phone: (54-11) 4316-5400  
Fax: (54-11) 4315-8485  
Internet: [www.bivac.com.ar](http://www.bivac.com.ar)

Intertek Testing Services (ITS)

Roxana Labiosa

Address: 8125 NW 53<sup>rd</sup> Street, Suite 200  
Miami, FL 33166  
Phone: 305-513-3000  
Fax: 305-513-3001  
Internet: [www.itsglobal.com](http://www.itsglobal.com)

In Argentina

Carlos Laponi

Address: Leandro N. Alem 628, Piso 8  
1001 Buenos Aires  
E-mail: [cdlaponi@itsfts.co.uk](mailto:cdlaponi@itsfts.co.uk)  
Phone: (54-11) 4315-0600  
Fax: (54-11) 4315-3030

Inspectorate PLC

Cindy Carroll

Address: 5050 Timber Creek  
Houston, TX 77017  
Phone: 713-946-8262  
Fax: 713-946-4110  
E-mail: [cindy.carroll@inspectorate.com](mailto:cindy.carroll@inspectorate.com)  
Internet: [www.bsi.org.uk/bsi/products/inspection/index.xhtml](http://www.bsi.org.uk/bsi/products/inspection/index.xhtml)

Socotec International Inspection Argentina S.A.

Jorge Lacobara

Address: Reconquista 458, Piso 11  
1003 Buenos Aires  
Phone: (54-11) 4326-5466  
Fax: (54-11) 4326-5034  
E-mail: [atc@socotec.com.ar](mailto:atc@socotec.com.ar)  
Internet: [www.socotec.com.ar](http://www.socotec.com.ar)

UTE Holding/Surveyseed

Sebastian Mendive

Address: Reconquista 723, Planta Baja  
1003 Buenos Aires  
Phone: (54-11) 4510-6600  
Fax: (54-11) 4510-6699/6695  
E-mail: [smendive@survey.com.ar](mailto:smendive@survey.com.ar)

122  
Airline Companies

Aerolineas Argentinas  
Paseo Colon 417  
1063 Buenos Aires  
Phone: (54-11) 4342-0030  
Fax: (54-11) 4343-0265

American Airlines  
Suipacha 1111 Piso 28  
1368 Buenos Aires  
Phone: (54-11) 4318-1000  
Fax: (54-11) 4318-1001

LAN Chile  
Cerrito 1320 Piso 2 Office A  
1010 Buenos Aires  
Phone/Fax: (54-11) 4812-7077

Lloyd Aereo Boliviano  
Carlos Pellegrini 137/141  
1009 Buenos Aires  
Phone/Fax: (54-11) 4326-3951

STAF S.A.  
Florida 547  
1005 Buenos Aires  
Phone: (54-11) 4322-4750  
Fax: (54-11) 4393-0954

TransBrasil  
Florida 780 E.P.  
1005 Buenos Aires  
Phone/Fax: (54-11) 4394-8424

United Airlines  
E. Madero 990  
1106 Buenos Aires  
Phone/Fax: (54-11) 4316-0777

VARIG  
Carabelas 344 Piso 8  
1009 Buenos Aires  
Phone/Fax: (54-11) 4329-9204

VASP  
Santa Fe 784

1059 Buenos Aires  
Phone/Fax: (54-11) 4311-2699

### Couriers

Federal Express (FEDEX)  
Maipu 753 P.B.  
1006 Buenos Aires  
Phone/Fax: (54-11) 4630-0300  
Internet: <http://www.fedex.com>

TNT Express Worldwide/Andreani S.A.  
Agustin Magaldi 1751  
1286 Buenos Aires  
Phone: (54-11) 4301-2002/0101  
Fax: (54-11) 4302-5799  
Internet: <http://www.tntew.com>

United Parcel Service (UPS)  
Bernardo de Irigoyen 974  
1072 Buenos Aires  
Phone: (54-11) 4307-2174  
Fax: (54-11) 4307-2182  
Internet: <http://www.ups.com>

DHL International S.A.  
Moreno 963  
1091 Buenos Aires  
Phone/Fax: (54-11) 4347-0060  
Internet: <http://www.dhl.com.ar/>

### Hotels in Buenos Aires

Most used by businesspeople (in alphabetical order)

Alvear Palace Hotel  
Av. Alvear 1891  
1129 Buenos Aires  
Phone: (54-11) 4808-2100  
Fax: (54-11) 4804-0034/9246  
E-mail: [alvear@satlink.com](mailto:alvear@satlink.com)  
Internet: <http://www.alvearpalace.com>  
Comments: Five Stars

Aspen Suites

124  
Esmeralda 933  
1007 Buenos Aires  
Phone: (54-11) 4313-9011/2  
Fax: (54-11) 4313-8059  
E-mail: [info@aspensuites.com.ar](mailto:info@aspensuites.com.ar)  
Comments: Four Stars

Aspen Towers Hotel  
Paraguay 857  
1057 Buenos Aires  
Phone: (54-11) 4313-1919  
Fax: (54-11) 4313-2662  
E-mail: [aspentowers@overnet.com.ar](mailto:aspentowers@overnet.com.ar)  
Comments: Five Stars

Bisonte Hotel  
Paraguay 1207  
1057 Buenos Aires  
Phone: (54-11) 4816-5770/8  
Fax: (54-11) 4816-5775  
E-mail: [bisonte@iname.com](mailto:bisonte@iname.com)  
Comments: Four Stars

Buenos Aires Sheraton Hotel & Towers  
San Martin 1225  
1104 Buenos Aires  
Phone: (54-11) 4318-9000  
Fax: (54-11) 4318-9353  
E-mail: not available  
Internet: <http://www.sheraton.com/buenosaires>  
Comments: Five Stars

Claridge Hotel  
Tucuman 535  
1049 Buenos Aires  
Phone: (54-11) 4314-5166/7700/2020, (54-11) 4322-0022  
Fax: (54-11) 4314-8022/4314-5160  
E-mail: [reservation@claridge-hotel.com](mailto:reservation@claridge-hotel.com)  
Internet: <http://www.apriweb.com/claridge>  
Comments: Five Stars

Crowne Plaza Hotel (Panamericano)  
Carlos Pellegrini 525  
1009 Buenos Aires  
Phone: (54-11) 4348-5000  
Fax: (54-11) 4348-5250/5251  
E-mail: [hotel@crowneplaza.com.ar](mailto:hotel@crowneplaza.com.ar), [panatel@microstar.com.ar](mailto:panatel@microstar.com.ar)

Comments: Five Stars

El Conquistador Hotel  
Suipacha 948  
1008 Buenos Aires  
Phone: (54-11) 4328-3012/3652/3112  
Fax: (54-11) 4328-3252  
E-mail: [conqhot@microstar.com.ar](mailto:conqhot@microstar.com.ar)  
Comments: Four Stars

Etoile Hotel  
Pte. Roberto M. Ortiz 1835  
1113 Buenos Aires  
Phone: (54-11) 4805-2626/28  
Fax: (54-11) 4312-6346  
E-mail: [etoile@hotel.com.ar](mailto:etoile@hotel.com.ar)  
Internet: <http://www.etoile.com.ar>  
Comments: Five Stars

Hotel Park Plaza/Central Park Plaza  
Av. Roque Saenz Pena 1174  
1035 Buenos Aires  
Phone: (54-11) 4381-8800  
Fax: (54-11) 4384-7022  
E-mail: [centpark@satlink.com](mailto:centpark@satlink.com)  
Comments: Four Stars

Intercontinental Hotel  
Moreno 809  
1091 Buenos Aires  
Phone: (54-11) 4340-7100  
Fax: (54-11) 4340-7199  
E-mail: [buenosaires@interconti.com](mailto:buenosaires@interconti.com)  
Comments: Five Stars

Marriott Plaza Hotel  
Florida 1005  
1005 Buenos Aires  
Phone: (54-11) 4318-3000  
Fax: (54-11) 4318-3008  
E-mail: [marriot.plaza@ba.net](mailto:marriot.plaza@ba.net)  
Internet: <http://www.marriott.com>  
Comments: Five Stars

Park Hyatt Buenos Aires  
Posadas 1086/88  
1014 Buenos Aires

126

Phone: (54-11) 4321-1234

Fax: (54-11) 4321-1235

E-mail: [front@parkhyatt.com.ar](mailto:front@parkhyatt.com.ar), [conciERGE@hyatt.com](mailto:conciERGE@hyatt.com)

Internet: <http://www.travelweb.com/travelweb/init.html>

Comments: Five Stars

Regente Palace Hotel

Suipacha 964

1008 Buenos Aires

Phone: (54-11) 4328-6800

Fax: (54-11) 4328-7460

E-mail: [palace@satlink.com](mailto:palace@satlink.com), [info@regente.com](mailto:info@regente.com)

Internet: <http://www.sectur.gov.ar/hoteles/regentep>

Comments: Four Stars

Sheraton Libertador Hotel

Av. Cordoba 680

1054 Buenos Aires

Phone: (54-11) 4322-8800/6622

Fax: (54-11) 4322-9703

E-mail: [reservas@libertador-hotel.com.ar](mailto:reservas@libertador-hotel.com.ar)

Comments: Five Stars

Torre Cristoforo Colombo

Fray Justo Santa Maria de Oro 2747

1425 Buenos Aires

Phone: (54-11) 4777-9622

Fax: (54-11) 4775-9911

Email: Not available

For additional listings, please call the Commercial Service Buenos Aires.

Anyone planning to use any resource, or do business with any company listed should determine whether the resource meets the needs of the exporter in a satisfactory manner. The listing of a resource or company does not imply endorsement by the U.S. Department of Commerce or any other agency of the U.S. Government.

## XII. MARKET RESEARCH

Market Overview Reports (MOR) on different industry sectors of the Argentine economy are available from the Commercial Service of the American Embassy in Buenos Aires, or from Export Assistance Centers (EACs) in various cities in the United States. For a list of EACs, dial 1-800-USA-Trade (1-800-872-8723).

Following is a list of MORs available as of July 2000:

- Agricultural Equipment
- Apparel
- Architectural, Construction, and Engineering Services
- Auto parts and Service equipment
- Banking Overview
- Building Products
- Cancer Diagnostic Equipment
- Cardiovascular Equipment
- Computers and Peripherals
- Computer Services
- Computer Software
- Cosmetics and Toiletries
- Costume Jewelry
- Electric Power Systems
- Fitness Equipment
- Food Processing and Packaging Equipment
- Forestry Projects
- Frozen Foods
- Golf Equipment
- Health Care Services
- Industrial Chemicals
- Information Services (data bases)
- Insurance Services
- Irrigation Equipment
- Laboratory and Scientific Instruments
- Life Insurance Services
- Materials Handling Equipment
- Medical Equipment
- Medical Imaging Equipment
- Mining Equipment
- Natural Gas Equipment
- Office Furniture
- Packaging Equipment
- Plastics Extrusion Equipment
- Pleasure Boats and Boating Equipment
- Port Equipment
- Renewable Energy Equipment
- Security and Safety Equipment and Services
- Steel Framing
- Telecommunications Equipment
- Telecommunications Services
- Tourism
- Transportation Services
- Water Meters
- Wind Energy Equipment

## XIII. TRADE EVENT SCHEDULE

Event: The Greater Houston Partnership Trade Mission

Type: Trade Mission

Date: October 7-10, 2000

Site: Buenos Aires

Comments: Horizontal Trade Mission recruited by the Greater Houston Partnership

Event: Feria Internacional de Turismo – FIT 2000

Type: Trade Fair Overseas

Date: October 21-24, 2000

Site: Buenos Aires

Comments: This show gathers tourism operators from all Latin America, especially from the Mercosur region

Event: Free Trade Alliance San Antonio Trade Mission

Type: Certified Trade Mission

Date: October 25-28, 2000

Site: Buenos Aires, Cordoba

Comments: Horizontal Trade Mission

Event: Hospitalaria 2000

Type: Product Literature Center

Date: November 1-4, 2000

Site: Buenos Aires

Comments: The largest international Trade Show for medical equipment in the Mercosur region

Event: State of Pennsylvania Governor led Trade Mission

Type: Certified Trade Mission

Date: November 29 – December 3, 2000

Site: Buenos Aires

Comments: Horizontal Trade Mission

Event: Destino USA 2001

Type: Solo Fair Overseas

Date: March 29-30, 2001

Site: Buenos Aires

Comments: US Tourism Show held in Argentina visited by more than 3,000 tourism retailers.

Event: Pow Wow 2001

Type: Reverse Trade Mission

Date: May 5-9, 2001

Site: Orlando, Florida

Comments: Largest US Tourism Show. CSBA recruits more than 50 tourism wholesalers that visit the event.

Event: Arminera 2001

Type: Certified Trade Fair

Date: May 16-18,2001

Site: Buenos Aires

Comments: The premier mining equipment show held in Argentina with future mining investments.

Event: SIAL-Mercosur

Type: Trade Fair Overseas

Date: August 21-24, 2001

Site: Buenos Aires

Comments: The third regional food and beverage show serving Mercosur, including Argentina, Brazil, Paraguay, Uruguay, and Chile. Over 700 exhibitors.

Event: Study USA 2001

Type: Solo Fair Overseas

Date: September 7-12, 2001

Site: Buenos Aires.

Comments: US Universities promote their products to local students – an emerging sector.