

MIT

International Logistics

Spring 2003

15.765/1.265/13.67/ESD 265

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***Specialized aspects of international logistics -- country and regional issues***



***ARGENTINA***

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## ***Specialized aspects of international logistics -- country and regional issues***

Choose a country you are familiar with, not the United States. For that country, answer briefly the following questions.

### **ARGENTINA**

#### **1. What are the rough dimensions of the country in miles?**

Located in the southern part of South America and thus in the southern hemisphere, Argentina has an area of almost 1.47 million square miles, of which 1.08 are on the continent and the remainder in the Antarctic. Its length of 2,360 miles goes from latitude 22° to 55°. Its frontier with Uruguay, Brazil, Paraguay, Bolivia and Chile has a perimeter of 5,826 miles. The coast on the Atlantic Ocean is 2,936 miles long.

#### **2. What is the population? What percentage live in the 3 largest cities?**

Total population: 37 million

Buenos Aires and Greater Buenos Aires: 12 million

Cordoba: 1.1 million

Rosario: 1 million

#### **3. What is the predominant language? How widely used is English in business?**

Predominant language: Spanish

English is not widely used at all. Only in companies with direct trade with English speaking countries, and not at a very high level.

**4. In the last three years have there been any instances of political instability?**

Yes, as a matter of fact in December 2001 there were riots all around the country, the president Fernando de la Rúa resigned and in the following 2 weeks there were 5 different presidents. After that, Duhalde became president but elected by the congress and not by the people.

**5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?**

The currency is the peso. For 10 years (1991-2001) the currency was 1 peso = 1 US dollar. After the crisis of December 2001, the peso was devaluated and the currency exchange jumped almost overnight to 3.5 pesos = 1 dollar. Since then is floating but fairly stabilized.

Today is at 3.17 \$ per 1 U\$S

**6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?**

Only one time zone. When its noon in MA, in Buenos Aires is 2 PM

**7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)**

No special “unique requirements”. Products sold in Argentina must be in Spanish.

**8. What regulations or limitations exist regarding freight transport?**

Freight transport is deregulated.

There are regulations on the size and weight of trucks for different types of roads

There are regulations over transportation of hazardous materials (special permits, etc.)

**9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?**

The main port is Buenos Aires, which is on the Rio de la Plata but has direct access from the Atlantic Ocean. It is a few blocks from the center of the city.

**10. What business terms and financial instruments are typically used for import commercial transactions?**

Commercial banks in Argentina offer loans to creditworthy importers, although interest rates are still high by U.S. standards. The U.S. Export Import Bank (EXIM) guarantees numerous trade facilities from U.S. commercial banks. The U.S. Commercial Service in Buenos Aires has compiled a list of U.S. Banks, which have expressed an interest in financing export transactions for small and medium sized companies, using EXIM programs. In all transactions there must be a reasonable assurance of repayment. More than 80 percent of approved transactions are for small businesses. The financing programs are offered:

- Working Capital Guarantees
- Export Credit Insurance policies.
- Direct Loans
- Lease Guarantee Program.
- "One-Stop-Shop" Co-Financing Facility
- Engineering Multiplier Program
- Project Finance
- Environmental Technologies
- Agreements with other Argentine Agencies

**11. How large is a typical supermarket or retail food store (square feet or meters)?**

Carrefour is the leader in the retail industry. Other players are Wal-Mart, Norte, Coto, Disco.

A typical supermarket has between 10,000 to 20,000 square feet in the main cities.

**12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?**

Wal-Mart is in Argentina since 1995, but they have been losing money since then. They lost the competition with Carrefour and could not understand the Argentinean consumer.

**13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?**

Highway structure has been improved in the last 10 years. Roads that connect Buenos Aires with the major cities are in good condition. There is no extensive structure to connect cities other than Buenos Aires. Both Highway and Rail infrastructure have a "star" shape, with Buenos Aires in the middle.

Rail infrastructure is moderate. Service is improving since the privatization in the 90's.

**14. How bad is the traffic congestion in the major cities?**

Buenos Aires has traffic problems weekdays on peak hours between the center of the city and the suburbs in all directions.

**15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?**

Exports \$23 billion (f.o.b., 1999 est.)

Exports - commodities edible oils, fuels and energy, cereals, feed, motor vehicles

Exports - partners Brazil 24%, EU 21%, US 11% (1999 est.)

Imports \$25 billion (c.i.f., 1999 est.)

Imports - commodities machinery and equipment, motor vehicles, chemicals, metal manufactures, plastics

Imports - partners EU 28%, US 22%, Brazil 21% (1999 est.)

Balance Trade:

Brazil: Export

EU: Import

US: Import

Note: This data are previous to the currency exchange, since then, the levels of import have decline to very low levels.

## **16. Is security an issue in logistics? Why?**

Argentina had 2 terrorist attacks. In 1992 a bomb in the Israel embassy and in 1994 a bomb in the Jewish community building. After those attacks security in transportation was discussed (the bomb of 1994 was inside a cargo van that was crashed to the building).

Now is not a very important issue because there is not a thread of a terrorist attack.

In logistics, the security issue is related to the increase of armed robberies to trucks and warehouses due to economical crisis.

Often, trucks with highly valued cargo need to be controlled by satellite and escorted by one or two cars with private security officers.

## **17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?**

Since the state owned telecom company was privatized in the 90's, the service is highly reliable. A consumer can get a phone installed in less than a week.

The mobile phone network is very extensive.

## **18. How many people have internet access?**

8 % of the households have internet access (3 million people)

## **19. What is the price of regular gasoline, \$ per gallon?**

The price is 0.9 \$ per liter

1.07 U\$S per gallon (all taxes included)

## **20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?**

The Argentine tariff classification system -- the Harmonized System (HS) -- was implemented on January 1, 1992 and is aligned with the General Agreement for Tariffs and Trade (GATT) Customs Classification Code. Argentina's import tariffs generally

range from 0-35%, with exceptions, and are assessed on the value of the cost of the good, plus its insurance, and freight (C.I.F.). On January 1, 1995, Argentina adopted Common External Tariff for approximately 85% of the tariff categories. Duty rates are part of the Southern Cone Common Market (MERCOSUR) structure, which includes common external tariff rates and differential rates (applied by individual members through 2005), covering Brazil, Argentina, Uruguay, and Paraguay. The four member countries, have a common external tariff (SET) which provides a . There was a temporary increase of 3% on the CET rates. Also, the Argentine Government reduced the "Statistical Fee" from zero tariff for 8,000 items within MERCOSUR or about 85% of the tariff categories. There is a list of products temporarily exempted from the CET; these products are subject to a gradual adjustment of their tariffs over a five year period. On October 1, 1996, Chile became an associate member of the bloc. Bolivia also attained such status on April 1, 1996. 3% to .5% imposed on most imports from countries outside MERCOSUR. On January 1, 2001, the Mercosur reduced their CET tariff rates by 1/2%.

The overall tariff structure, including fees and taxes, is applied to the CIF value as follows:

- 0 (zero) tariff on some goods not produced domestically, as well as on some specific items such as newsprint, certain petroleum products and others;
- 2 to 10 percent on raw materials, intermediate industrial materials, and primary products;
- 12 percent on capital goods, informatics, and telecommunications goods;
- 15 to 20 percent on consumer durable and non-durable goods;
- 22.5 percent on finished goods

Argentina has a number of exceptions to the common external tariff. There are also additional taxes levied on top of the duty.

A 0.5 percent customs fee is assessed on the CIF (Cost of good, Insurance, and Freight) value of the item.

The VAT rate is 21%. The VAT is assessed on the CIF value + duty + customs fee. (Software is subject to VAT, but the duty only applies to the value of the medium.) In addition, most alcoholic beverages and consumer electronic products are subject to luxury and excise taxes.

## **21. What customs documents are required for an import shipment? For export?**

Import Regulations.: Documentation

Maritime Shipments:

Documents always required regardless of value:

- commercial invoice (original and three copies);
- bill of lading (minimum of one negotiable copy);

- 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, then one will be necessary).

### **Air Cargo Shipments:**

Documents always required regardless of value:

- commercial invoice (original and three copies);
- airway bill (number of copies depends on requirements of the importer and of the airline;
- 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.

### Export Documentation

In the case of exports, copies are received daily (from the customs office in the federal capital) of loading permits, while customs offices in country districts send in their documents at varying intervals. As regards exports, 10 percent of the information comes from the María data processing system.

## **22. How common is “bribery” (US definition) in trade transactions? (normal, infrequent, very rare). What are the legal ramifications?**

Bribery is fairly normal. Except in a few cases, there are no legal ramifications, since the justice is often involved in the corruption.

Corruption within the political and legal systems runs rampant. A contract between a major multinational (IBM) and a large state-run bank allegedly involves bribing of bank officials. Several senators stand accused of selling their votes while the judge ruling over the case is himself accused of accepting bribes. In 2001, former President Menem is indicted on charges of involvement in arms trafficking.

## **23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?**

Unions are strong but used to be stronger, corruption on the Union's leadership made them loss power within the Union and with the rest of the society.

They are predominantly national.



In industries like automotive and transportation the unions are very strong. This has a strong impact in logistics: strikes of truck drivers, usual cut of national routes and highways, etc.