

## **Understanding the complexity of the import system in Argentina.**

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### **Introduction**

In recent years, it is common to find Argentina with economic and financial difficulties, aggravated during the previous presidential administration of Mauricio Macri when he ended up resorting to a loan request with the International Monetary Fund (IMF), with past experiences and consequences for the conditions that this type of loan entails.

In the current presidency of Alberto Fernández, which will end in December of this year, the country faces problems that it has been dragging on for years, even aggravated, such as inflation and the shortage of international reserves in the Central Bank, which affects the commitments that the South American country has with its external creditors.

To deal with the problem of the shortage of international reserves, the government has tightened the restrictions on imports, already been in force for years. With this greater control, in reality, the purpose is to reduce the availability of dollars to pay for imports; in this way, it does not help the delicate situation of the reserves in dollars of the Central Bank. That increased control came through the establishment of the Argentine Republic Import System, known briefly as SIRA.

### **Key Words**

*Imports - dollars - Customs - bank – industrial*

### **What does the system consist of?**

The SIRA was established by Joint General Resolution 5271/2022 to ensure the adequate development of foreign trade operations. The SIRA implements a monitoring, control and registration methodology that establishes differentiated commercial flow access, modality, and traceability criteria. Thus, it seeks to guarantee inputs for SMEs.

Among the tools that the system incorporates, the following stand out:

- Single Foreign Trade Account: Allows you to register and consult the importer's exchange operations, linked to import procedures. The system carries out systematic evaluations in real-time on the data entered, issuing the terms of access to the Free Exchange Market.

- Economic and Financial Capacity: Allows early identification of those operations that are not related to the economic and financial capacity of the importer.
- Customs and Fiscal Risk Profile: Allows you to review the importer's history to ensure compliance with basic safety regulations for imported products.

The system establishes coordination between the National Customs Directorate, the Central Bank of the Argentine Republic, the Federal Administration of Public Revenues and the Secretary of Commerce, controlling, in an articulated manner, the problems related to their competencies and establishing mechanisms that avoid speculative manoeuvres, as under-invoicing of imports (Sistema de Importaciones de la República Argentina, n/d). This is within the framework of the "Single Window for Argentine Foreign Trade". The agencies request an approval period that should be never greater than 60 days from the SIRA registration.

It is worth mentioning that the SIRA covers the operations of final import destinations for consumption, that is, the goods that enter the country for an indefinite period, being recommended that, prior to the issuance of the Order Note, Purchase Order or similar document used to arrange their purchase operations abroad, importers may present the related information. Exempted from the said system is merchandise that is reimported, merchandise that is imported to compensate for previous shipments with deficiencies, donations, samples, diplomatic franchises, and merchandise that enters under the Courier regime.

Once the importer's declaration in the system has been approved (with the status of "Exit"), it is valid for 90 calendar days, from the date of said approval. The validity of the declaration can be extended for a similar term. Importers can find out the status of their declaration, including, if necessary, presenting any additional information to a specific body. The SIRA number for a particular operation of an importer, already approved, is necessary so that the final import can be presented and authorized in a timely manner.

Unfortunately for importers, the deadlines agreed under the regulations are often not met by the agency itself. This affects many sectors, not only final consumer goods such as car imports (Cristófalo, 2023; Keller, 2023) but also industries that need inputs for their production processes, or with machinery. Some companies have chosen to take their problems to court but, in general, the judges rule in favor of the State (that is, against the importers), citing that the importer failed to comply with certain requirements to comply with the regulations of the State ("Nuevo aval al sistema SIRA...", 2023; "Nuevo respaldo al SIRA...", 2023; "Un fallo judicial rechazó...", 2023; "Un nuevo fallo de la justicia...", 2023). The Justice's endorsement of SIRA constitutes support for the Government in its attempt to control the flow of foreign currency. For each import, there is a certain term of payment. Certain activities are allowed to pay in advance, such as energy, aluminium or those who entered the Fair Prices program. Others are given 30 days (auto parts, fruits, and vegetables, etc.) or more. For the rest, depending on their size, they may have 90 or 180 days. With the activation of the foreign exchange swap with China, the Government has been authorizing SIRAs in yuan more quickly and granting shorter payment terms (Clement, 2023).

While importers add complaints and claims, from the Government they defend the System. The Ministry of Commerce reported that, between January and May 2023, 88% of the total requests made were approved, and that the total amount of authorized imports represented 21% more than in the same period of the previous year. Of these authorizations, 97% were for SMEs. The imported products were inputs and materials for production (46%), capital goods (24%), fuel and energy (18%) and consumer goods and cars (12%) (Espina, 2023; "SIRA: se aprobó el 88% de las solicitudes...", 2023). In addition, the Government highlights the importance of "Importa PyME", which is an assisted self-management platform for micro and small companies, which was designed by the Ministry of Commerce with the aim of providing greater agility and

traceability to the entire process. import, including SIRA. This measure will benefit around 18,000 micro and small businesses, which represent 80% of the business fabric in Argentina and generate 70% of formal employment (“Entró en funcionamiento la plataforma...”, 2023).

Another characteristic of the system is that, in addition to imports of goods and their payments, services contracted abroad are also regulated (the latter known shortly as SIRASE). An example of the latter is international freight, where the Government allows companies to pay for said concept up to three months after having the respective approval. This procedure, and the fact that you must wait to pay, brought complaints in the shipping sector, and generates uncertainty due to its possible impact on loading ports (Galli, 2023; Muzio, 2023).

### **Difficulties**

The SIRA is an example of how the government seeks to restrict imports or, also said in another way, to postpone the use of dollars to pay abroad for the goods and services that are demanded. Just as Argentina seeks to use the swap with China to reduce dependence and the use of dollars (Boettner, 2023), there are plans to be able to use local currencies in imports from Brazil and Uruguay. With Brazil, in addition, financing is sought for exporters of goods from that country to Argentina, to be able to adjust to the reality of delayed payments. Precisely, this is crucial since Argentina has been increasing its trade deficit with said neighboring country (“Déficit comercial con Brasil...”, 2023). Even so, it seeks to continue advancing together with Brazil, Uruguay, and Paraguay in the strategic market for intra-Mercosur purchases (the regional bloc that brings together these three countries together with Argentina).

Imports must be understood, in part, as necessary for the production process of goods that will later be demanded both in the internal and external markets. In the case of Argentina, with its abundance of natural resources, the agribusiness sector is a clear example of this. This sector also needs to import and then export, since its exports contain 7.4% of imported content. Crises due to the need for foreign currency, the external restriction, in Argentina are historically recurrent. Undoubtedly, this is one of the most severe due to a drought that leaves this economy with a lack of dollars for exports of between USD 22,000 and 23,000 million, which represents around 25% of what Argentina exported in 2022 and 27% of what imported last year. In other words, it would have to find a way to finance that 27% or limit imports: today the combination of these two phenomena is occurring (Origlia, 2023).

### **Conclusion**

If the importer does not have the resources to obtain his own dollars, the option of requesting dollars from the Central Bank is very difficult, taking a long time to obtain them that way. The problem is that many times, the supplier in the country of origin of the merchandise to be imported cannot adapt to the complex situation of the importer and his payment times, without considering that foreign companies do not understand the rules and procedures in the South American country. In this situation with the goods and their payments, it must add the services and their payments, such as international freight.

One would think that industries such as the automotive industry should have the support and confirmation of the Government that there will be no problems with orders (and payments abroad) for capital goods, parts, and production inputs, considering the importance they have in job creation and local production. However, it is not expected that the existing dollar restrictions in Argentina can be resolved this year. Therefore, it is expected that the SIRA and all the complexity that this entails for importers will persist. It would be necessary to see what happens from October when the presidential elections take place. The truth is that, if the purchase of inputs and intermediate goods abroad continues to be difficult, productive activity will continue to be limited, affecting the quantitative supply in the local market (with the consequent increase

in prices, already very high in the country) and exports, which are a genuine source to generate the necessary foreign currency for the Central Bank's reserves. It is a dilemma, which has not been resolved for years.

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