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# Expert Group Meeting on the Promotion of SME Export Consortia

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## COUNTRY PAPER ARGENTINA

Arq. Norberto E. Clacheo  
Conexport Argentina



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## A. INFORMATION ON THE COUNTRY'S EXPERIENCE

### A. 1 *The development of consortia*

The first Argentinian consortia were the Argentine Wines consortium, founded in 1968 and a consortium dedicated to the export of medical equipment, founded in 1974. They didn't last. In 1984, the Argentinian parliament passed Law 23.101 for the Promotion of the Exports. This resulted in the creation of 52 export consortia, but only 15 finished the proceedings requested by the law for their official registration. With the aim to coordinate consortia activities and to act as their representative in contacts with institutions involved in the promotion of Argentine firms, CACCERA, the Argentine Chamber of Export Consortia and Cooperatives, was created. But as the law's benefits were never realized, CACCERA was abolished.

In 1998 the BankBoston Foundation, together with the Export.Ar Foundation - the official state agency for promoting exports, started a programme for the creation of export groups: the Institute for the Development of Export Consortia. The first group was created in September 8, 1998. In 2000 the Secretariat for the Small and Medium Enterprises (SEPyME), a Government Agency of the Ministry of Economy, started its own programme. Later, the provinces of Mendoza, Cordoba, San Juan and Buenos Aires followed (see Section A.2).

The first two programmes (there was no information on the others) have 67 registered export groups. However, there are nearly 100 groups currently working in Argentina. The most active and promising export sectors in Argentina are:

- Food and food industry.
- Furniture.
- Electrical equipment.
- Medical equipment.
- Leather goods.
- Software.

Table 1 shows the distribution of export groups and consortia by industry, table 2 the regional distribution (\*), table 3 the export figures of the groups sponsored by the BankBoston and Export.Ar Foundations.

*Table 1: Distribution of export groups and consortia by industry*

<b>Industry</b>	<b>Number</b>
Prepared foodstuffs	18
Chemical products	2
Leather goods and related articles	2
Wood and wood products	5
Textile and textile products	4
Machinery and mechanical appliances	5
Electrical equipment and parts	8
Vehicles, vehicle parts and accessories	7
Medical instruments	2
Miscellaneous manufactured products	6
Services	4
Software	4
<b>TOTAL</b>	<b>67</b>

Table 2: Regional distribution

Province or region	Number
Buenos Aires City and Greater Buenos Aires	27
Buenos Aires Province	7
Santa Fé	14
Cordoba	5
San Juan	4
Patagonia	3
Mendoza	2
Jujuy	1
Misiones	1
Chaco	1
Entre Ríos	1
Salta	1
<b>TOTAL</b>	<b>67</b>

(\*) Source: ConExport Argentina, from data provided by BankBoston Foundation and SEPyme.

Table 3: Exports of the 37 groups sponsored by the Export.Ar and BankBoston Foundations, 1999-2004 (U\$S) (\*\*)

1999	2000	2001	2002	2003	2004
52.415	80.555	101.922	67.334	77.808	100.404

(\*\*) Source: Institute for the Development of Export Consortia Export.Ar and BankBoston Foundations.

It should be pointed out that 17 out of the 37 groups have just finished the two first years of operational work. The joint export figures of those groups show their success: their export sales grew from U\$S 35.8 millions in 2003 to U\$S 51.7 millions in 2004, which is a 44% increase.

## A.2 Legal and incentive framework

There is no specific legislation on export consortia in Argentina. However, the recently approved Law N° 26.005 on 'Cooperation Consortia' also covers the creation of export consortia. The law offers to consortia the following advantages:

- Registration at the tax office and custom house, which allows the consortia to perform export proceedings on their own or on behalf of the consortium members.
- Possibility of consolidating cargo and arrange joint deliveries.
- Joint acquisition of goods and services.

## A.3 Support institutions

### Government institutons

There is no specific Government institution dedicated to the promotion of export consortia. As stated above, Export.Ar Foundation and the BankBoston Foundation have worked on the matter since 1998. These assist new export groups and consortia by covering around 50% of the coordinators' (or directors') fees for two years. Full information on the programme can be found at [www.fundacionbankboston.com.ar](http://www.fundacionbankboston.com.ar). Furthermore, Export.Ar Foundation offers the same services that individual exporters receive to groups and consortia:

- Financial assistance to participation in trade fairs.
- Trade missions and business meetings.
- Branch Promotion Plans (for leather goods, organic food, honey, agricultural machinery, etc.).
- Market information.
- Market surveys.

Full information on Export.Ar Foundation can be found at [www.exportar.org.ar](http://www.exportar.org.ar)

Some other Government agencies (like the Proargentina programme of the SEPyme and the provinces, among others Buenos Aires, Cordoba, Mendoza and San Juan) have created their own agencies and developed their own promotional programmes which offer additional support.

The Government of the Province of Buenos Aires, for instance, through its Undersecretary of International Commercial Affairs, is currently supporting groups of SME's located in its territory. Support includes:

- Covering 50% of group and consortia directors' fees during two years.
- Financial assistance to participation in trade fairs.
- Trade missions and business meetings.
- Compensation for travel expenses.
- Market information.
- Market surveys.

### **Private institutions**

#### *ConExport Argentina*

#### Character and purpose of ConExport

ConExport Argentina (the Argentine Association of Directors of Export Groups and Consortia) was established in December 10, 2002. In May 2003, it was recognized as a formal legal personality. The founding members of the Association are twelve directors of export consortia that had participated in a study tour to Italy, organized by the Italian Institute of Foreign Trade and Federexport in October 2002. The Association is currently admitting new members.

The main objectives of the Association are to:

- Promote inter-firm cooperation and an export culture in the country;
- Contribute to the improvement of the export performance of Argentine consortia; and
- Lobby for laws that promote strategic alliances among firms.

In addition, it contributes to the training of professionals in the field of export consortia through the organization of workshops, training courses, conferences, round tables, etc. To foster the exchange of experience, the Association further aims to create linkages to similar associations in Argentina and abroad as well as to establish contacts with chambers of commerce and industrial associations.

From its foundation, the Association has worked to:

- a. Identify export consortia throughout the country and create a database of export consortia, their members and directors;
- b. Initiate a publicity campaign for the Association, including development of clusters and networks of SME's, the creation of a website, a monthly newsletter, a brochure of the member consortia and their export offer and;
- c. Coordinate and advertise training courses for members of export consortia.

There are no formal linkages between the Association and the public and private institutions promoting export consortia in Argentina. Nevertheless, good relationships exist and close cooperation is envisaged.

### International cooperation

In June 2003, an agreement was signed between ConExport Argentina and Federexport. The two federations intend to cooperate in order to jointly promote the establishment and development of export consortia in Argentina and to foster projects between firms and consortia in both countries with the aim of increasing the levels of bilateral trade. In the framework of this agreement, Conexport is looking for an Italian partners interested in the establishment of 'matchmaking desks' in Italy and Buenos Aires. ConExport Argentina is also able to offer Italian and third country consortia and branch associations the following services in Argentina:

- Commercial services.
- Market identification.
- Business promotion services.
- Support services.

### ***A.4 Main obstacles to the creation of export consortia and proposals for improvement***

- According to Law N° 26.005, export consortia are not legal but contractual persons. This may cause some problems for a consortium to establish formal linkages with branch associations or other consortia.
- The law doesn't solve the VAT issue: if the consortium would like to act as a sales organization, domestic taxes would have to be paid to its own members. A modification of the law is being requested by the consortia and the representatives of the regions.
- Important advances have been made in the coordination between state support institutions. Nevertheless, the actual number of groups and consortia currently working in Argentina remains unknown. Questions like networking and the creation of national register of export groups and consortia must be addressed.
- Financial support, for both operational and promotional costs, needs to be increased.
- Export groups and consortia do not receive enough attention from the Government support institutions.
- The Government is currently charging a 5% tax on export sales. Small and medium enterprises – all members of the export groups and consortia fall in this category - are exporters of industrialized goods with high added value and are therefore major contributors to the national economy. They should be exempted from paying this tax.

## B. CASE STUDIES ON EXPORT CONSORTIA

Consortium name	Argentine Furniture Export Group GEMA	Argentine Industrial Electrical Product Group GIAPE
<b>Sector</b>	Furniture	Electrical equipment, lighting
<b>Type</b>	Promotion and sales	Promotion and sales
<b>Legal form and capital</b>	Export Group	Export Group
<b>Number of firms and their size</b>	6 firms	10 firms
<b>Year of incorporation</b>	2001	2000
<b>Organizational structure</b>	Office in Buenos Aires	Office in Buenos Aires
<b>Main types of services provided</b>	<ul style="list-style-type: none"> <li>- Business trips</li> <li>- Sales missions</li> <li>- Shipping</li> <li>- Website with links to company websites</li> <li>- Electronic newsletter</li> </ul>	<ul style="list-style-type: none"> <li>- Participation in trade fairs and exhibitions</li> <li>- Commercial missions and product presentations</li> <li>- Commercial agent covering Central America</li> <li>- Subsidiary of one of the companies sells member firm products in Mexico</li> <li>- Electronic newsletter</li> <li>- Multimedia presentation</li> <li>- Website with links to member web sites</li> </ul>
<b>Main markets targeted</b>	South Africa, Guatemala, Chile, Panama, USA; export to the Dominican Republic to start soon. Markets selected according to purchasing potential, home decoration trends, demand for specific styles and products (focus on high quality furniture and lighting).	Central and South America. Markets are selected on the basis of geographic proximity, purchasing potential and knowledge of the potential market among member firms. Some companies export to Spain, Portugal and South Africa.
<b>Yearly operational and promotional costs</b>	Operational costs: about € 600 per month.	Operational costs: about € 600 per month.
<b>Funding of the consortium</b>	Members' contributions	Members' contributions
<b>Cost of incorporation of the consortium</b>	--	--
<b>History of the consortium</b>	GEMA was set up in March 2001 in the framework of the programme for export development initiated by the BankBoston Foundation and the Export.Ar Foundation.	Created in July 2000 in the framework of the programme for export development initiated by the BankBoston Foundation and the Export.Ar Foundation. Awarded the 'Exportar' prize in 2002 in the category 'association for exports' by the Argentine Minister of Foreign Affairs
<b>Performance</b>	U\$S 1,623,000 between 1999 and 2004	Exports by member firms have risen strongly, from U\$S 456,000 in 2002 to U\$S 1,710,000 in 2004.

<b>Main challenges ahead</b>	--	--
<b>Changes in membership</b>	At the start, in 2001, there were 6 firms. Membership peaked in 2004 with 14 firms. Now there are 6 firms again.	--
<b>Change in type of services</b>	--	--