

High fashion content means Brazilian firms have been able to export around 15 million pairs of shoes a year to Argentina. In 2012, the steady stream has been reduced to a trickle.

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Border barriers

Rivalries between countries can be intense and enduring. Fortunately the football field rather than the battlefield is the most frequent theatre for them these days and, in football, few national rivalries hold the heat of the one between Argentina and Brazil. They have played each other 93 times; 24 of those matches were draws, while Brazil has won 34 and its neighbour 35, with Argentina scoring a total of 148 goals in the fixture's almost 100-year history and Brazil 142. It's a close-run thing and has not been without its scandals, perhaps most notably amid accusations that Argentina's technical team at the 1990 World Cup deliberately passed a bottle of contaminated water to Brazil's Branco, after which he began to feel unwell. Argentina went on to win the match, a quarter-final, by one goal to nil. Brazilian football fans still recall the incident with bitterness.

Reputations at stake

For the most part trade between the two neighbours, the two largest economies in South America, has been conducted with enough fair play to avoid any similar-sized business scandal, but recent events have put tempers in the footwear sector to the test.

An ongoing blockade on exports of shoes from Brazil to its neighbour prompted a respected figure, Heitor Klein, the executive-director of Brazil's main footwear industry body Abicalçados, to comment at the end of July that the situation was beginning to cause serious damage to the footwear sector

Disputes over trade between Brazil and Argentina throughout this year have led to piles of shoes building up at the border.

in his country. "Contracts are being cancelled and production levels in Brazil are being affected, as is the reputation of Brazilian shoes in the eyes of retailers and consumers in Argentina," he said.

Upper limits

Argentina has had a series of import control measures in place for some time, saying they are necessary to help preserve jobs in its domestic footwear industry. Analysts say that these measures appear to have affected major exporters in Asia far less than they have producers in neighbouring Brazil. Towards the end of 2011, Argentina said the value of footwear imports had gone up by nearly 40% compared to 2010. In terms of volume, imports over the period in question from Brazil fell by 2.3 million pairs year on year, while footwear imported from China, Vietnam and Indonesia went up by 3.3 million pairs. Argentinean footwear manufacturers' association CIC has said it is confident of reaping genuine benefits from this policy, saying it can increase domestic shoe production to 125 million pairs in 2012, 8.5% more than in 2011.



Dilma Rousseff of Brazil (left) and Cristina Fernández of Argentina at a formal lunch in Buenos Aires. Relations between the two presidents appear positive, but a trade blockade on shoes from Brazil has put a strain on the footwear industry.

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Brazil's exports of footwear to Argentina were formally limited in 2009, 2010 and 2011, with the government announcing an upper limit to the number of pairs that manufacturers in Brazil could sell to retailers or distributors in Argentina. The totals were 15 million pairs for 2009, 14.2 million pairs for 2010 and a similar number for 2011. CIC has said it would like to renew this arrangement, but we have seen no figure published for 2012. Perhaps Argentinean footwear industry leaders harboured fears that, without an upper limit, cross-border competitors would flood their domestic market with imports. This is not how the story has progressed in the course of this year.

By April, reports from Brazil said that almost 2.5 million pairs of shoes from its manufacturers were being held at the Argentinean border waiting for customs clearance. Of these, the Brazilian sources claimed, 730,000 pairs had been waiting to enter the Argentinean market since 2011, missing out on important sales opportunities such as Christmas.

Chaos at the border

Abicalçados made critical comments of the Argentinean authorities' approach, saying it was contrary to agreements that had been in place between the two countries and the organisation made it clear that exporters in Brazil had prepared for 2012 anticipating that export levels would, once again, be around the level of 15 million pairs. However, in February the Argentinean government introduced new wider controls on imports, obliging retailers and other importers in Argentina to make formal declarations in advance about which goods they wish to bring into the country and in what quantities. They must also specify the periods of time during which the goods will come across the border. This is in addition to measures already in place to keep a tight control of import licences.

In a statement in March, Heitor Klein said: "It's chaos for companies trying to export to Argentina. Exporters are finding it difficult even to get hold of the documentation they need to complete and, for example, no one seems to know if you have to have a licence before making the declaration or if you have to make the declaration first and then apply for a licence." Some footwear brands have been able to tick all of the boxes from time to time and shoes have been making it through, but in a trickle rather than the steady stream of more than a million pairs a month as in recent years.

Concrete help

How much additional clarity the authorities in Argentina have been able to provide over the autumn and the winter is open to debate. The presidents of both countries, Cristina Fernández of Argentina and Dilma Rousseff of Brazil, have met several times since the dispute began and have always given the impression they want to work well together. Recent actions point to a more unilateral focus, at least for footwear on the Argentinean side.

Industry minister, Débora Giorgi, has reiterated that the government wants the footwear industry to produce more shoes (200 million pairs by 2020) and to create around 12,000 new jobs in the process. Her claim is that the government is already helping footwear companies find strong demand in the domestic market (estimates from CIC are that all but two million of the 125 million pairs its members make this year will stay in Argentina), making investment in new technology possible through soft loans and protecting local industries from anti-competitive imports. "That's quite a lot of help," she says, "and we have to take advantage of the big opportunity we have in front of us."

A specific example came to light in mid August, when Cristina Fernández announced a series of new investments in Argentinean industry. One of the projects she named as a recipient of government support is a new footwear components factory and logistics centre that Grimoldi, a



Executive director of Abicalçados, Heitor Klein, has described the situation at the border as chaos.

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Grimoldi is one of the footwear firms in Argentina to have received the support of the government.

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company that has been making shoes in Argentina for more than 100 years, plans to build at an industrial park in Pilar, near Buenos Aires. Grimoldi has said the project will allow it to create 150 new jobs. The site, abandoned by beauty products brand L'Oréal in 2001, will now specialise in producing two million thermoplastic polyurethane (TPU) soles per year, for Grimoldi and other shoe manufacturers. Grimoldi's output grew by 14% in 2011 and it currently makes 750,000 pairs of shoes a year and holds licences to make shoes in Argentina for prominent brands such as Caterpillar, Hush Puppies, Kickers, Timberland and Merrell.

On the road again

Back at the border, by mid-July, there were reports that shoes were starting to move. With almost \$18 million worth of footwear blocked on the border at that time, Argentina agreed to allow more than 680,000 pairs to move from Brazil to its southern neighbour.

At the start of August, Abicalçados released a statement saying that a further 113,000 pairs of shoes had made it through the border controls and were on their way to customers in Argentina, but said it did not know when the more than half-a-million pairs of shoes still stuck in the dispute would move. It said Brazilian firms attempting to comply with Argentinean licensing and import permit documentation were experiencing an average weight of 191 days. The mood on the Brazilian side of the frontier is less than optimistic and the days of exporting 15 million pairs a year to its trading partner to the south seem like a distant memory.

There is always football. But unlike the normal build-up to a World Cup, this time there is no immediate possibility of exacting some revenge on the field of play because, as host nation for the next tournament in 2014, Brazil is taking no part in the South American qualifying competition. The most recent game took place in June in New Jersey. It was billed as a friendly, but quite a serious scuffle at the end brought one red card for each side. Argentina won by four goals to three. 

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