Textiles and Apparel Industry
in Argentina

October 2018

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EXECUTIVE **SUMMARY**

The Argentine textile and apparel industry's turnover amounted to USD 2.55 billion in 2017. Since 2014, there has been a decline in the level of production and a shrinkage of the domestic market, which totaled 420 tons in 2017. National textile production has historically been allocated to the domestic market exporting barely between 16% and 8% of the total output.

In addition, half of the industry's manufacturers are microenterprises, while large companies represent only 2% of the manufacturers. The textile industry employs 113,000 registered workers. Nevertheless, it is characterized by a high level of informal employment. Informal employment, together with the creation of added value and the amendment of internal inefficiencies, represents the main stumbling block the national government must tackle.

Smart textiles is a niche that it is yet to be explored and has a lot of potential; its development will enable the industry penetrate highly differentiated segments with products of high added value.

The industry trade balance has been in deficit for the last decade, evidencing its reliance on other external sectors.

MARKET VISION AND STRUCTURE

VALUE CHAIN **STRUCTURE**

FABRIC MANUFACTURE LINK

Fiber processing

- Cotton fiber obtainment
- Wool carding

Yarn manufacturing

- Winding and combing of fiber
- Spinning
- Cotton yarn and other inputs obtainment

Fabric manufacturing

- Preparation of yarns
- Weaving and knitting
- Dyeing and finishing
- Print

APPAREL MANUFACTURE LINK

Design

- Selection of models and fabrics
- Preparation of molds
- Marketing

Dressmaking

- Cutting material
- Sewing
- Garment assembly

Trade

- Marketing and deals
- Sale
- Customer service

TEXTILE AND APPAREL INDUSTRY

MARKET **SIZE**

2%	Big companies
11%	Medium companies
35%	Small companies
52%	Micro companies

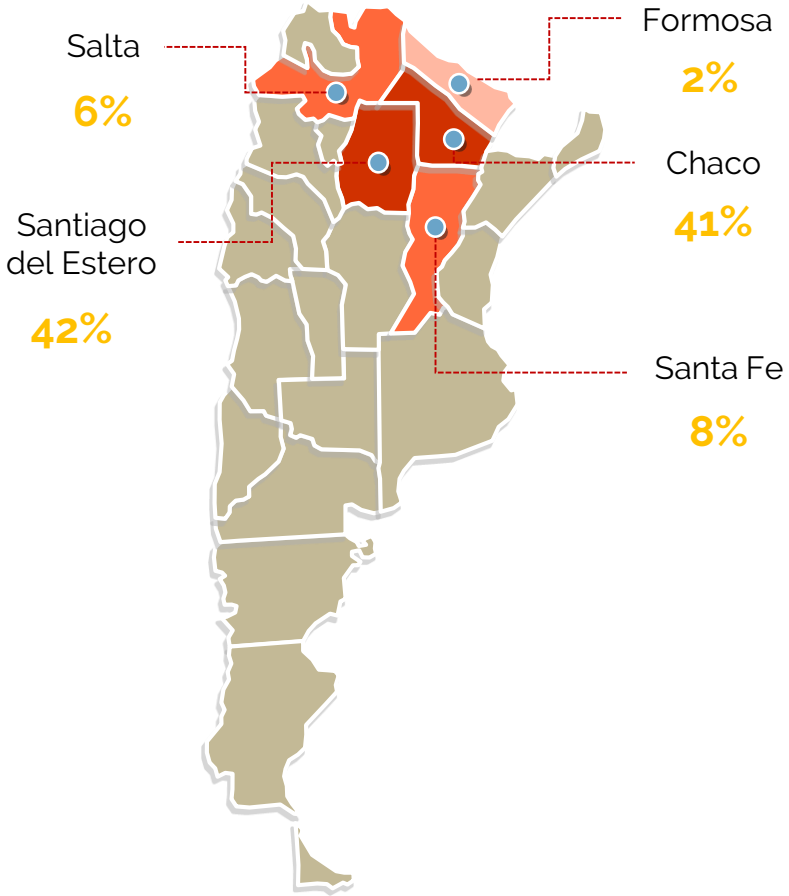
113,000
Registered employees

2017

TOTAL REVENUE
USD 2.5 billion

DOMESTIC MARKET
USD 2.2 billion

DOMESTIC MARKET
420 TONS

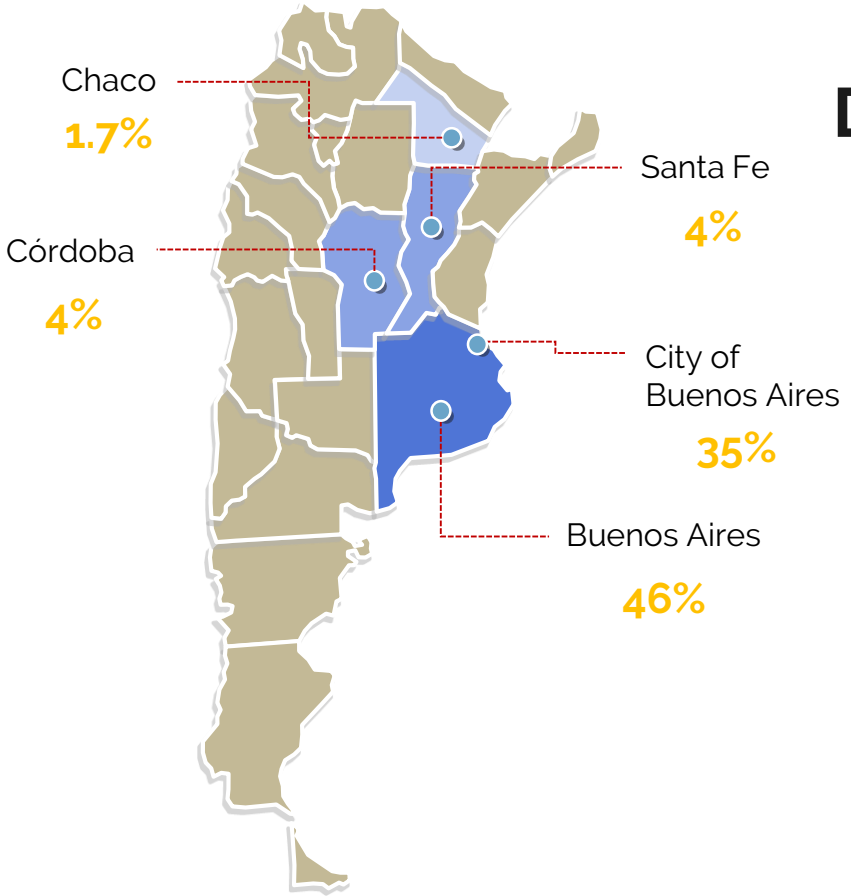


Source: Ministry of Treasury

GEOGRAPHICAL
DISTRIBUTION OF NATIONAL PRODUCTION

COTTON

The production of cotton is concentrated in the northern region of the country (Santa Fe, Santiago del Estero, Chaco, Formosa and Salta).



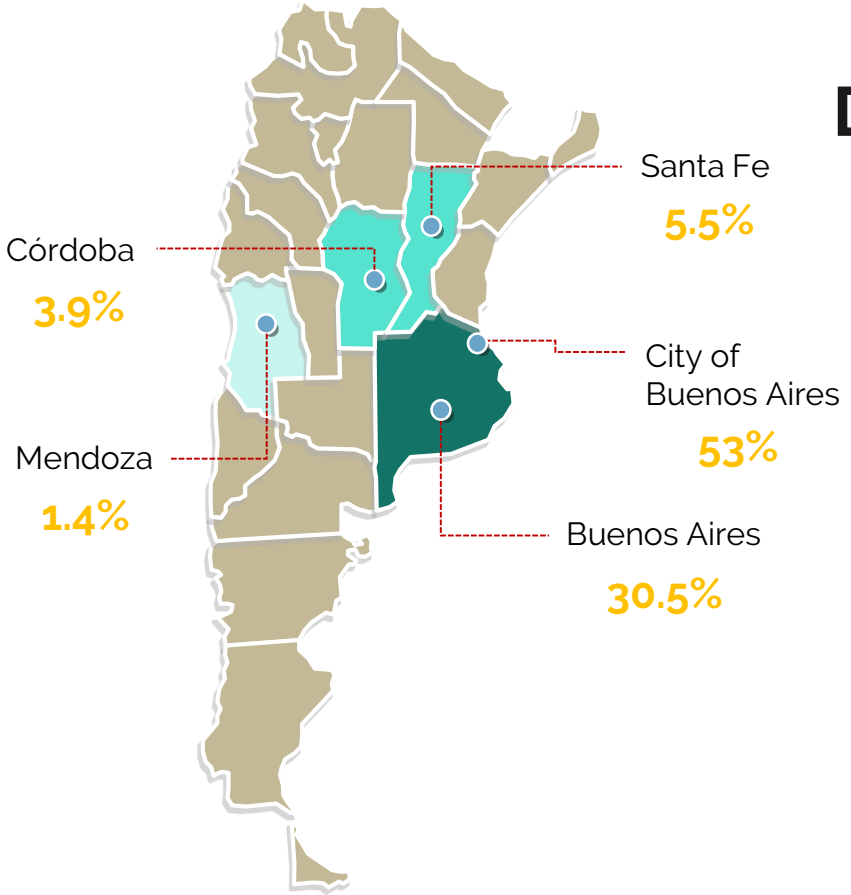
GEOGRAPHICAL **DISTRIBUTION OF NATIONAL PRODUCTION**

TEXTILE PRODUCTS

Textile production is concentrated mainly in the province of Buenos Aires and the City of Buenos Aires, which manufacture 81% of the total textile output.

The provinces of Córdoba, Santa Fe and Chaco also manufacture textile products, but in substantially lower levels.

Source: Ministry of Treasury



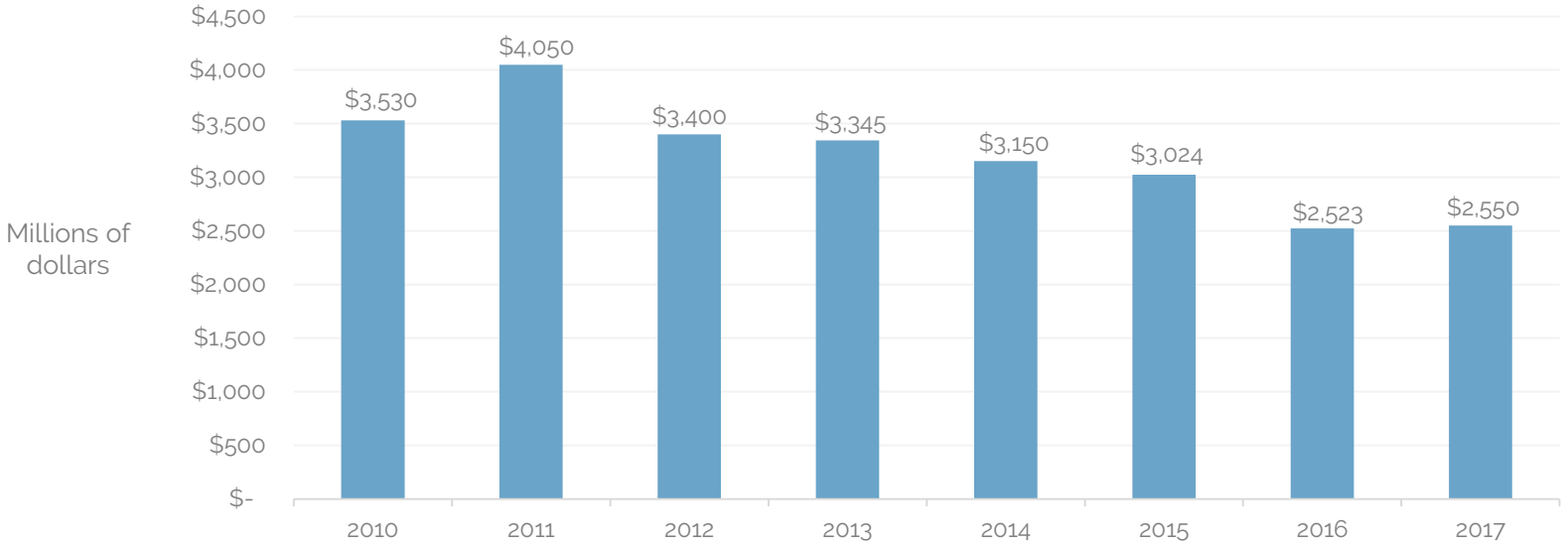
GEOGRAPHICAL **DISTRIBUTION OF NATIONAL PRODUCTION**

APPAREL

Apparel production follows a similar distribution pattern to textiles and is focused on the Province of Buenos Aires and City of Buenos Aires, which account for 83% of total the production and, to a lesser extent, on the provinces of Santa Fe, Córdoba and Mendoza.

Source: Ministry of Treasury

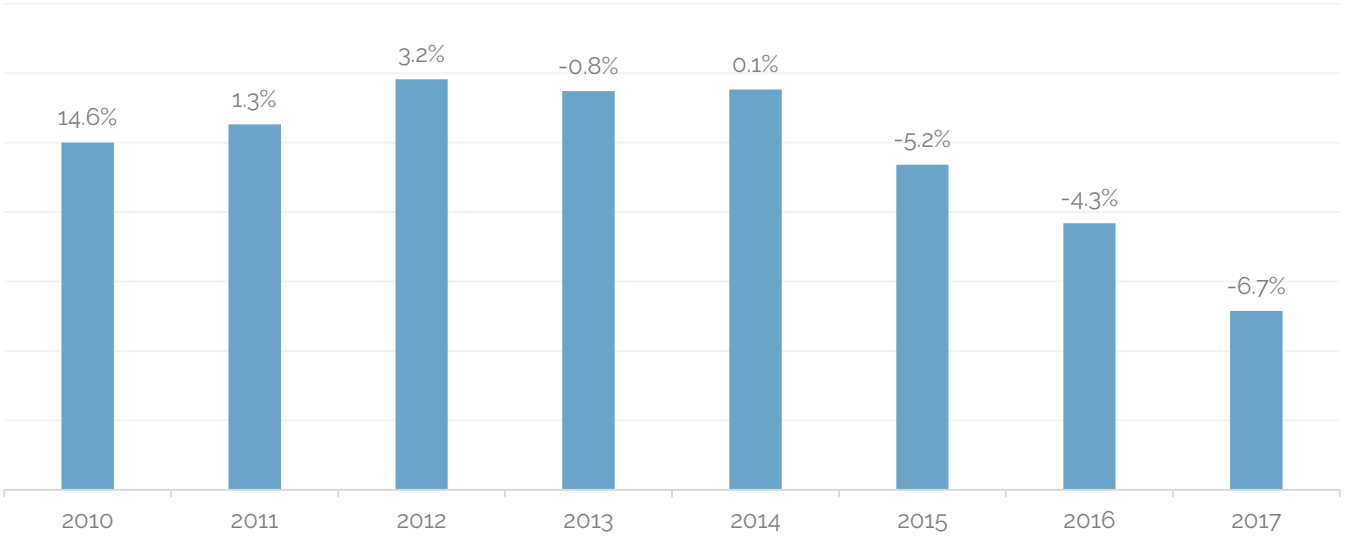
TOTAL **TURNOVER**



Source: Compiled based on information provided by INDEC and the Ministry of Treasury.

The Argentine textile and apparel industry's turnover totaled USD 2.55 billion in 2017. Since 2011, turnover has been decreasing due to lack of price competitiveness, a lower demand, and an unstable and disadvantageous economic context.

EVOLUTION OF **NATIONAL PRODUCTION**

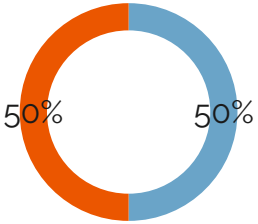


Source: Compiled based on information provided by INDEC

The national textile and apparel production has been shrinking by approximately 5% per year since 2014, as a consequence of a decline in the demand. Currently, the industry utilizes only 57% of its installed capacity, which results in larger unit costs than those incurred under a full utilization of the installed capacity scenario.

PRODUCTION AND **SALES:** DOMESTIC MARKET

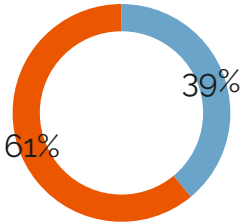
2015



500 TONS

USD 2.8 billion

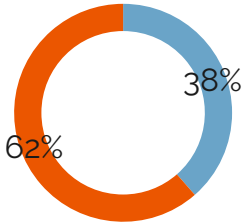
2016



425 TONS

USD 2.3 billion

2017



420 TONS

USD 2.2 billion

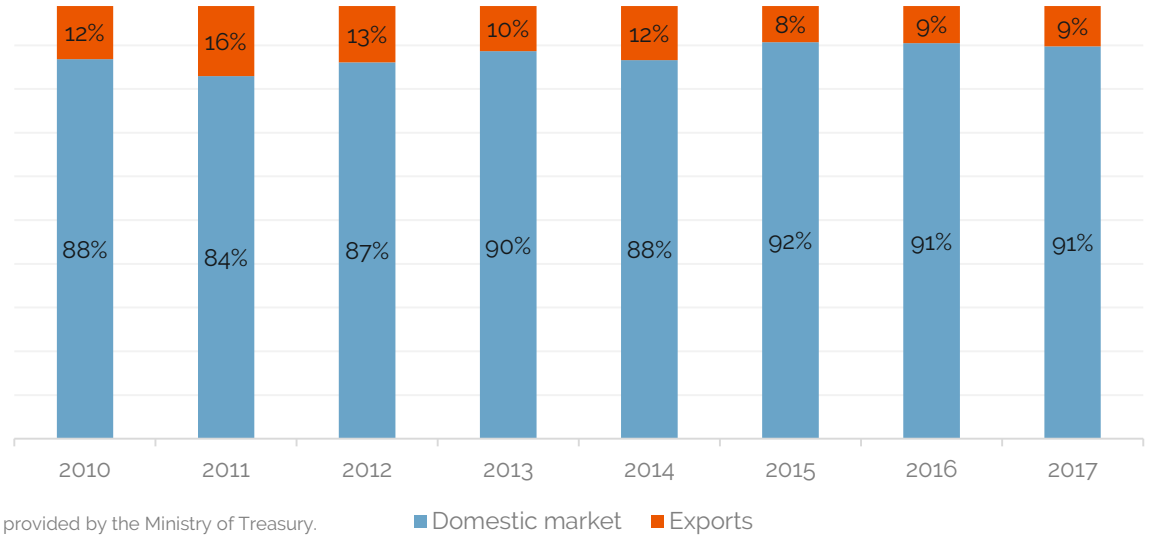
Source: Compiled based on information provided by Fundación Protejer (Protejer Foundation).

National production

Imports

In 2015, the domestic market production was equivalent to 500 tons. The market shrunk by 15% in 2016 and a further 1% in 2017, yielding a production of 420 tons. Imports gained ground in the last two years representing nearly 60% of the total soles in the domestic market.

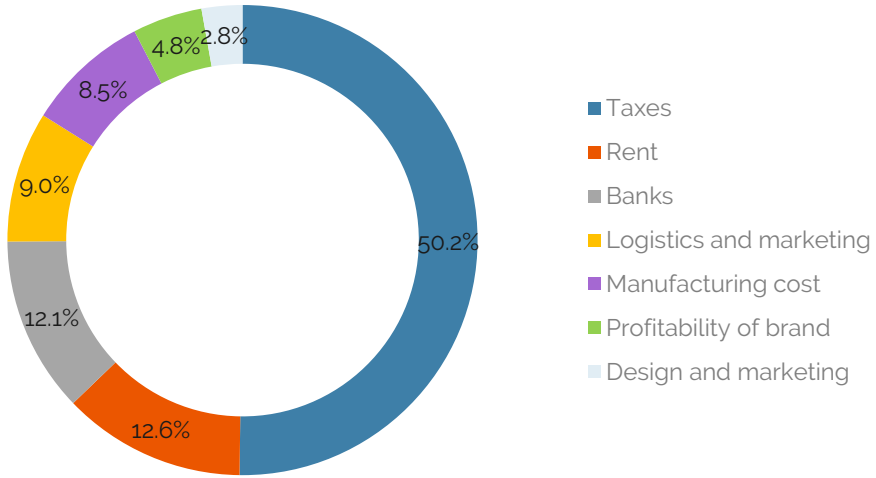
NATIONAL PRODUCTION **ALLOCATION**



Source: Compiled based on information provided by the Ministry of Treasury.

National production is mainly aimed at the domestic market. During the last 8 years, between 84% and 92% of the total output was allocated to the country. This evidences the industry's strong reliance on the domestic market.
During the last 3 years, the share of national production allocated to argentine market was reduced due to an increase in the cost of production, including energy fees, fuel prices, rent, high interest rates, etc., which diminished the profits obtained by exchange rate differences.

BREAKDOWN OF **CLOTHES PRICE**



Source: Compiled based on information provided by Fundación Protejer.

The final price of any piece of garment marketed in Argentina is broken down into various items: 50,2% represents taxes that are added during the different stages of production and trade. Similarly, rent fees represent 12.6% and banks 12.1%, i.e. the cost of operating with credit or debit cards. This means the cost of manufacturing clothes only stands for 8.5% of the final price.

COMPETITIVENESS OF THE INDUSTRY

Clothes manufactured in Argentina are subject to high tax pressure, an scenario which becomes worse given the complexity of the tax compliance management systems. Taxed levied across the production chain cause the loss of price competitiveness.

Still, there are other factors which further impair competitiveness: high interest rates, high labor costs other than salaries, lack of infrastructure, high logistics costs and rent, etc.

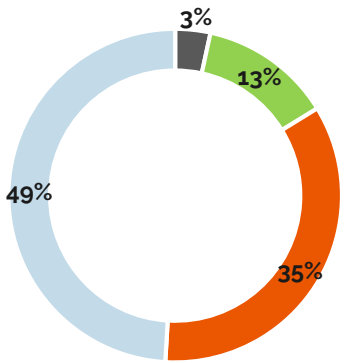
Additionally, the industry utilizes 57% of its installed capacity, which means there is further capacity to increase production and reduce costs.

All these factors causes efficient production to be translated into non-competitive prices for consumers and renders Argentina the most expensive country in the region in terms of clothing production.

COMPETITORS AND THEIR STRATEGIES

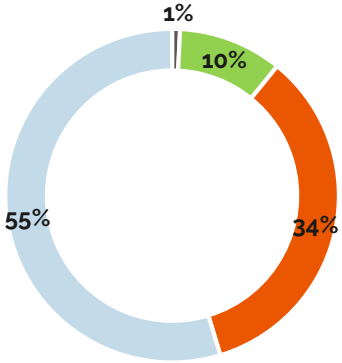
INDUSTRY **COMPETITORS**

TEXTILES



Big Medium Small Micro

APPAREL



Big Medium Small Micro

Source: Compiled based on information provided by the Secretary of Labor and Social Security.

The distribution of companies according to size in the textile and apparel industry is even across the production chain. As the size of companies increases, the number of competitors decreases.

CURRENT **STRATEGIES**

Strategy	Description
Integration	Broadly speaking, clothing manufacturers are vertically integrated and engage in spinning, weaving, and dry-cleaning activities. The reason for this vertical integration is put down to the lack of installed capacity of the industry and the poor quality of the outsourced services.
Outsourcing	The apparel industry outsources almost all the manufacturing processes to clothing factories in an attempt to conduct more flexible processes and reduce tied-up capital, which secures greater margin profit and mitigates risks.
Industry synergy	In 2003, the main companies in the industry together with unions, universities, and research centers set up Fundación Pro Tejer, a foundation that seeks to introduce topics related to the textile chain value into the public agenda as a strategic move towards the country's economic and social development. Every year the foundation organizes a convention that analyzes the state of the industry through debates and presentations.
E-Commerce	Clothes online shopping has been growing at a fast pace in recent years. Apparel e-commerce grew by 60% just in 2017. In this connection, 85% of brands are already using e-commerce sales platforms. Lacoste plans to launch an online store in the short term. The firm forecasts that 15% of its revenue in Argentina will result from e-commerce.

CHALLENGES AND OPPORTUNITIES

CHALLENGES OF THE INDUSTRY IN ARGENTINA

1. Fight informality affecting the value chain. Informality pervades many links of the value chain, including the input market, the sale of apparel, and working conditions. Informality originates in the distribution of fabric and extends to other stages reaching small manufacturing factories. This results in a vertical disintegration of production that causes clothing firms neglect dressmaking processes, and delegate them to small precarious factories.

2. Generate greater added value. There is little added value in certain segments, such as those related to finishing, printing, and dyeing activities. The industry also lacks skilled workforce for this activities in particular. All this makes it difficult to achieve product differentiation through design and an improvement in quality.

3. Amendment of internal inefficiencies. Half of the final price of a garment corresponds to taxes and only 8.5% represents the costs incurred during production. It is necessary to reduce tax pressure and high structural costs.

OPPORTUNITIES FOR INDIAN COMPANIES

1. Development of new niche markets: smart textiles. There is a potential market in the development of smart textiles, which are capable of altering its composition in response to different external or chemical stimuli. The properties of smart textiles modify to provide users with additional benefits. Guilford has already begun manufacturing nano textiles and technical textiles. Mafissa manufactures geotextiles which are used in civil engineering and in the construction of roads, canals, etc. It is the only manufacturer of copper yarn in the world. The development of this segment will allow introducing products of high added value to highly differentiated market segments that prioritize usefulness and high quality over price.

2. Brands with a high degree of differentiation. Given the fact that the Argentine market is shrinking due to the current economic crisis, it is not convenient for brands that attempt to sell large volumes of clothes, but for brands that offer differentiated and exclusive products. There are investment opportunities for those seeking to manufacture selective and differentiated products, which is further facilitated by the skilled workforce available in the country.

SWOT ANALYSIS

SWOT

STRENGTHS

1. High quality, productivity, and self-supply of cotton fiber
2. Highly productive and competitive yarn factories of international quality
3. Capacity to complete all the stages of the value chain locally, from fiber obtainment to the clothes making
4. Possibilities to access training of quality in all stages of the production process
5. Highly creative talent for the development of designs

SWOT

WEAKNESSES

1. Dependence on imports of synthetic and artificial fibers, yarns and differentiated fabrics
2. Precarious working conditions, low salaries, and high level of informality
3. Distribution of income in the value chain towards non-industrial activities
4. Scarce export experience
5. Limited access to credit

SWOT

OPPORTUNITIES

1. New innovative textile niches
2. Consumers' praise for new functionalities of clothes
3. Specialization in dry-cleaning and finishing of knitted fabrics and apparel
4. Potential for developing of local brands and exports in Latin America

SWOT

THREATS

1. Lack of measures to fight smuggling, counterfeit trademark, unfair competition, and dumping.
2. Scarce encouragement of technological innovation and new products
3. High financial and service costs compared to other countries
4. High concentration of sales in large international brands
5. Economic recession in Argentina

PUBLIC POLICIES

PUBLIC POLICIES

FIRST STAGE

SANITARY MEASURES	Work is underway to control pests within the framework of the *Agreement of Technological Linkage* of the National Institute of Agricultural Technology (INTA, Spanish acronym) and the cotton manufacturing provinces. The ultimate goal is to prevent boll weevil from entering the cotton manufacturing areas through internal and external quarantine systems.
FINANCING	The Ministry of Agribusiness runs the Plan for the Sustainable Development and Promotion of Cotton Production (Law No. 26,060), whose purpose is to contribute to the recovery of cotton cultivation through mechanisms that mitigate the effects of price fluctuations and promote certainty in the long term.
RESEARCH	INTA manages the *Genetic Improvement Program* with the objective of obtaining new and better quality crops. It also runs the *Assistance Program for the Improvement of the Quality of Cotton Fiber* (PROCALGODÓN), which seeks to improve the productive process of Argentine cotton.

PUBLIC POLICIES

INDUSTRIAL STAGE

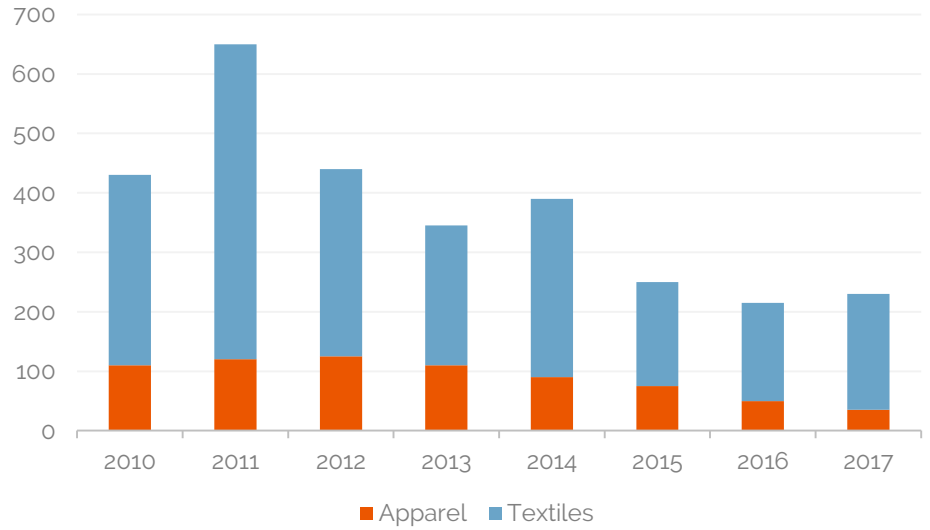
FINANCING	*The Program for the Promotion of Consumption and Production* managed by the Ministry of Finance and Public Finance, the Ministry of Production, and the Central Bank encourages the consumption of various goods and services, especially clothes, and stimulates demand. This program allows consumers to make credit card purchases in up to 18 free-interest installments. It will remain in force until December 31, 2018.
INTERNATIONAL COOPERATION	The *Strengthening the Cotton Industry* sponsored by Cooperación Sur-Sur is a project that aims to contribute to the sustainable development of the cotton value chain in the partner countries and strengthen the industry by expanding the capacities and levels of inter-institutional coordination. The main participants in this project are MERCOSUR member countries, its partners, and Haiti.
TECHNICAL ASSISTANCE	The Center for Textile Research and Development, which belongs to the National Institute of Industrial Technology (INTI, Spanish acronym), provides technical assistance to public entities and textile companies to contribute to the development of the industry.

INTERNATIONAL TRADE

EXPORTS

Evolution of Argentina´s textiles and apparel exports

(in millions dollars)



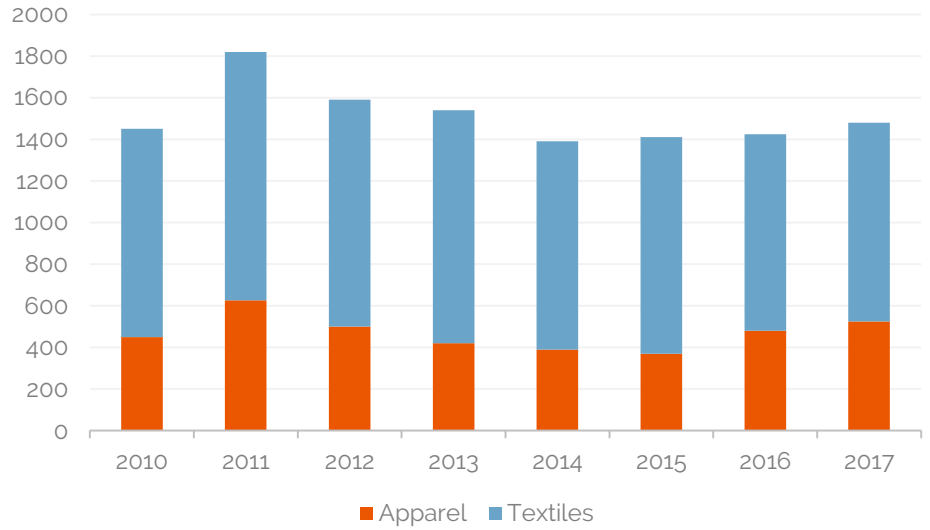
Source: Compiled based on information provided by INDEC and Customs.

Under the current adverse economic scenario, textile and apparel exports started to decrease. The high structural costs render products less competitive in terms of prices, especially clothes. Additionally, the export potential is not massive, but mainly focused on premium brands and original designs.

IMPORTS

Evolution of Argentina´s textiles and apparel imports

(in millions dollars)



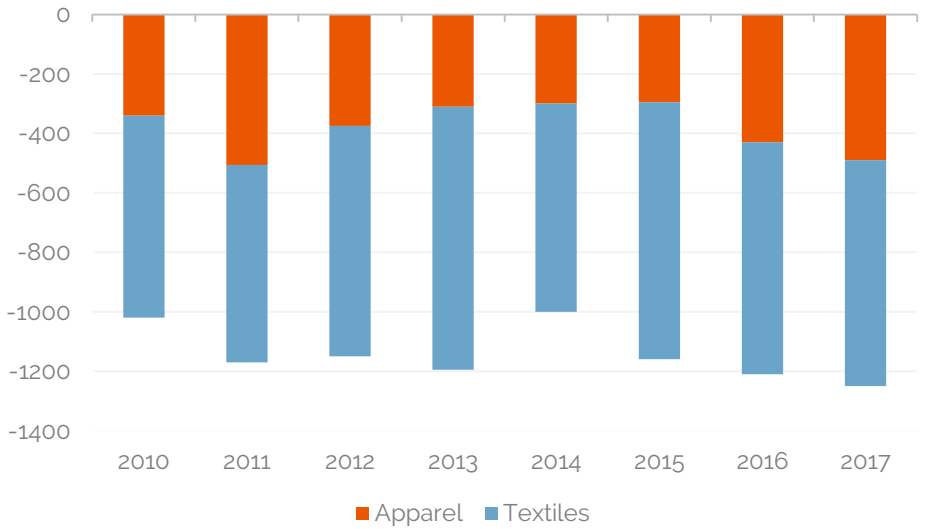
Source: Compiled based on information provided by INDEC and Customs.

As in exports, textile imports outweigh apparel imports. In general, during the last 10 years imports have remained stable between USD 1,4 and USD 1,6 billion, with the exception of 2011 when imports peaked slightly exceeding USD 1,8 billion.

TRADE **BALANCE**

Trade balance evolution

(in millions dollars)

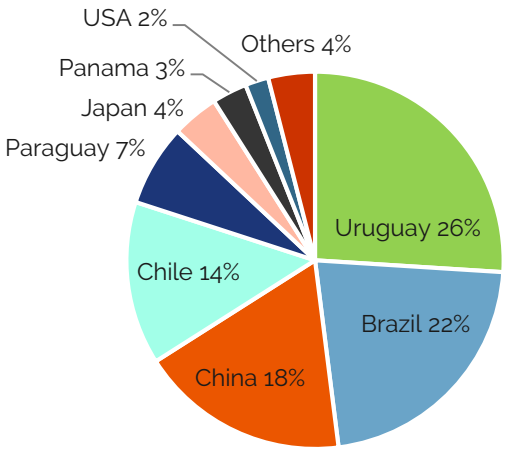


Source: Compiled based on information provided by INDEC and Customs.

The industry has a structural trade deficit that ranges from USD 1 to USD 1.25 billion. Textile trade is the area that presents the largest deficit. The highest level of deficit in the last 10 years was recorded in 2017, caused mainly by imports from China, which are products manufactured at very low prices.

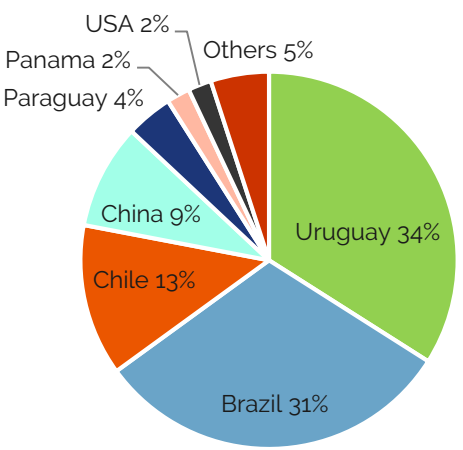
MAIN **EXPORT COUNTRIES**: APPAREL

IN USD



Export trading partners

IN KG



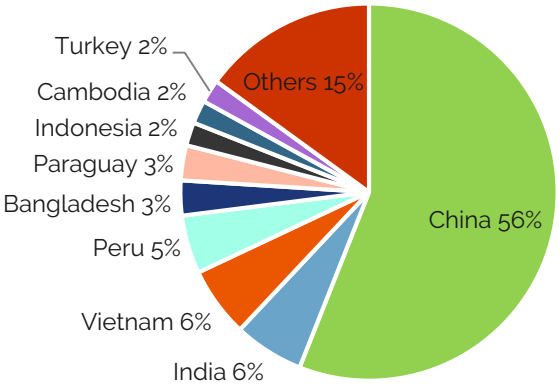
Source: Compiled based on information provided by CIAI and INDEC.

The main destinations of apparel exports are Latin America and China, both dollars and kilograms terms. Uruguay is the main export destination.

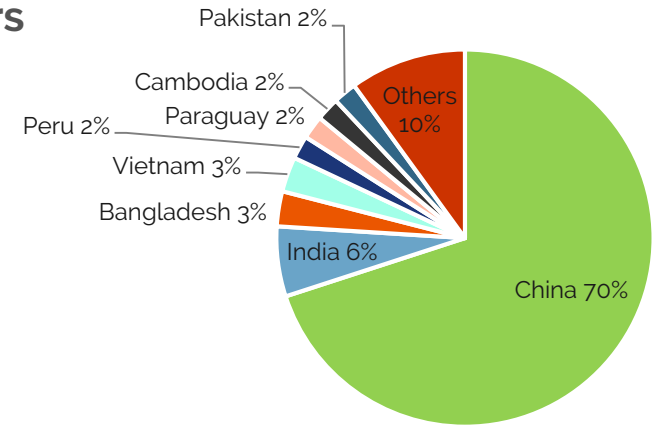
MAIN **IMPORT COUNTRIES**: APPAREL

Import trading partners

IN USD



IN KG

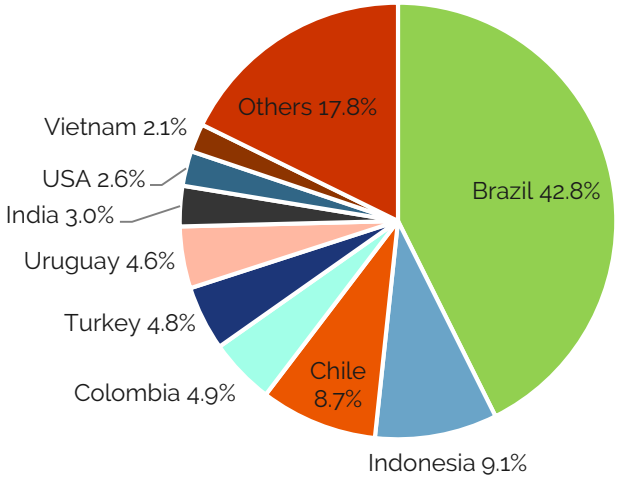


Source: Compiled based on information provided by CIAI and INDEC.

More than half of apparel imports come from China representing 56% in terms of dollars and 70% in terms of kilograms. India comes second, accounting just for 6%.

MAIN **EXPORT COUNTRIES**: TEXTILES

Export trading partners

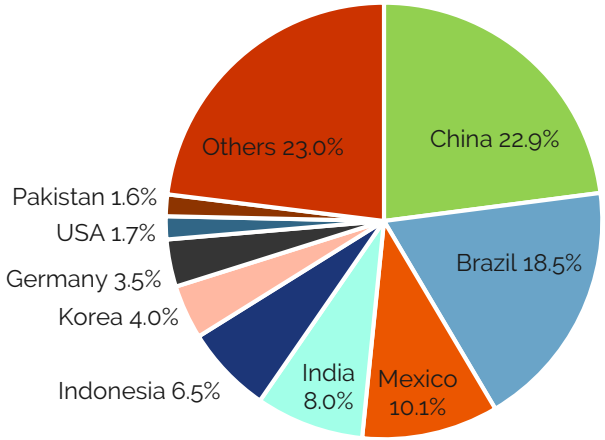


Source: Compiled based on information provided by INDEC.

Regarding exports of textile products, Brazil is the main destination of exports receiving 42.8% of nationally manufactured textiles. India takes the seventh place with 3%.

MAIN **IMPORT COUNTRIES**: TEXTILES

Import trading partners



Source: Compiled based on information provided by INDEC.

Textile imports are distributed more equitably than apparel imports. The main import countries are China providing 22.9% of the total imports and Brazil with 18.5%. In third place is Mexico with 10.1% and in fourth place, India with 8%.

ARGENTINE **MARKET SHARE**

TEXTILES

Argentina's market share in world textile trade represents **0.26%.**

APPAREL

Argentina's market share in world apparel trade represents less than **0.10 %**

CONSIDERATIONS FOR FOREIGN INVESTORS

COUNTRY **OVERVIEW**

44.494.502
Total population

21.824.372
Men

22.670.130
Women

ARGENTINE PESO
National currency

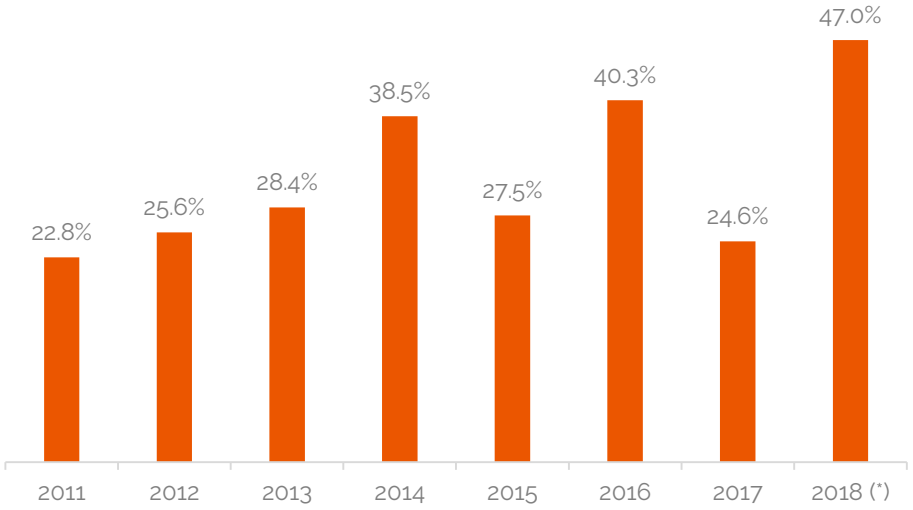
2018

ESTIMATED INFLATION
47%

ESTIMATED GDP GROWTH
-2.6%

CURRENT **ECONOMIC** CONTEXT

Inflation

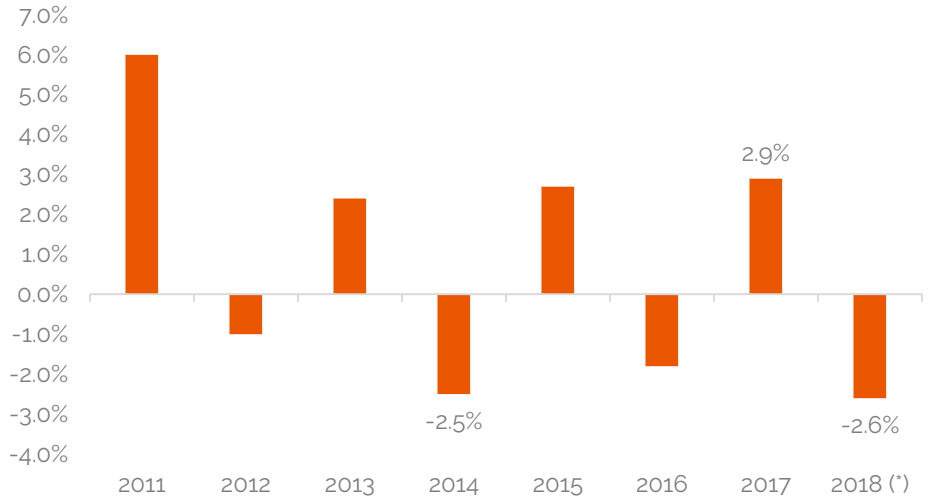


Source: Compiled based on information provided by INDEC.
(*) Estimated

Argentina is one of the countries with the world´s highest inflation rate. The inflation rate is expected to reach 47% by late 2018, almost doubling last year´s inflation. Such scenario creates an extra difficulty at the time of conducting businesses that does not occur in most countries. The Argentine economy lacks stability in terms of prices.

CURRENT **ECONOMIC** CONTEXT

GDP



Source: Compiled based on information provided by INDEC.
(*) Estimated

10.8%

Unemployment rate

Argentina's GDP has been expanding and shrinking alternatively portraying the volatility of the economy.
GDP is expected to contract 2.6% in 2018.
By the end of 2018 the unemployment rate reaches 10.8%.

TAXATION AND **LABOR**

In Argentina, tax collection efforts are carried out at national, provincial, and municipal level by levying taxes on income, assets, and consumption.

The agency in charge of collecting taxes, monitoring, and controlling taxation at national level is AFIP (Spanish acronym for Argentine Revenue Service).

Consequently, taxes are classified into three tiers: national, provincial, and municipal.

TAXATION AND LABOR. **NATIONAL TAXES**.

INCOME TAX	All income is subject to tax. Local subsidiaries of foreign legal entities are regarded as resident businesses and are, therefore, subject to tax. The applicable tax rate is 35% and applies to total income. Non-resident businesses with no branches or permanent offices in Argentina are only subject to local income tax.
VALUE ADDED TAX (VAT)	VAT applies to the values of goods and services at every stage of production. General VAT rate is 21%; nevertheless, the rate for certain goods and services is set at 10,5% or 27%. Imports are subject to the same VAT rate as local goods and services. Exports are exempt from VAT.
MINIMUM PRESUMED INCOME TAX	Minimum Presumed Income Tax is payable by legal entities, which are imposed a 1% rate on the value of all their assets located either in Argentina or abroad. It is also applicable to assets located in Argentine and owned by foreign individuals or legal entities with a permanent establishment in the country. This tax will be eliminated in 2019.
PERSONAL PROPERTY TAX	This tax is imposed on individuals and undivided estates with respect to assets valued at over ARS 1.050.000 (USD 27.000 approx.) as of 2018. As of this year, residents are taxed 0,25% on personal property.
EXCISE TAXES	Excise taxes are levied on the consumption of specific goods, such as tobacco, alcoholic drinks, and luxury items; they are payable by manufactures or importers.
FINANCIAL TRANSACTION TAXES - CREDITS AND DEBITS ON BANK ACCOUNTS AND OTHERS.	A 0,6% general tax is levied on withdrawals and credits on bank accounts transacted by entities governed by the Financial Institutions Act. Furthermore, transactions in cash are subject to a 1.2% rate if conducted through payment systems in lieu of current accounts.

TAXATION AND LABOR. **NATIONAL TAXES**.

DOUBLE TAXATION AGREEMENTS

Argentina has entered into double taxation agreements with the following countries to provide relief from double taxation on businesses, personal income, capital, and assets:

- ✓ Australia
- ✓ United Kingdom
- ✓ Chile
- ✓ Denmark
- ✓ Germany
- ✓ Belgium
- ✓ France
- ✓ Italy
- ✓ Sweden
- ✓ Canada
- ✓ Bolivia
- ✓ Brazil
- ✓ Finland
- ✓ Norway
- ✓ Spain
- ✓ Switzerland
- ✓ The Netherlands
- ✓ Russia
- ✓ Mexico

TAXATION AND LABOR. **PROVINCIAL TAXES**.

GROSS INCOME TAX	Gross Income tax is applicable to the revenue generated by businesses engaged in trade, industrial activities, agriculture, finance, or professional services. It is levied on each commercial transaction at a rate that ranges from 1,5% to 5%, according to the industry and area. Nevertheless, certain primary and industrial activities are exempted from this tax.
STAMP DUTY	This is a provincial tax placed on the execution of notarial and private documents, including agreements and other large-amount transactions.
REAL ESTATE TRANSFER TAX	Real estate owners are subject to an annual tax on their real property based on the fiscal value of the land free of any improvements and on the improvements of land, if any. The payable amount is estimated pursuant to the laws in force each fiscal year, which set forth the applicable values and rate scales according to the type of property.

TAXATION AND LABOR. **MUNICIPAL TAXES**.

Municipalities collect taxes imposed on industrial safety services, lighting and cleaning services, etc. These taxes are calculated based on public revenue or other criteria, such as the number of employees.

TAXATION AND LABOR. **TAX INCENTIVES**.

Tax regulations provide for incentives for certain activities such as mining, forestation, software development, renewable energies, research, biotechnology, and biofuel production.

Generally, such incentives consist in:

- ✓ **Tax stability for a specified period**
- ✓ **Tax credits**
- ✓ **Preferred tax rates**
- ✓ **VAT Exemption**

A tax-free area has been established in southern Tierra del Fuego where all the activities and transactions conducted are exempted from all national taxes, except for specific activities and transactions, which are levied a reduced rate.

TAXATION AND LABOR. **LABOR LAW.**

Labor Law no. 20,744

Permanent employment contract

Employment contracts in Argentina generally fall within this category, which means the labor relationship may extend permanently unless a cause of termination arises. The law provides for a three-month probation period. The employer must register the relationship with the relevant authority before the lapse of this period. Moreover, the parties are subject to the rights and obligations arising out the employment contract during this period, but either party may terminate the employment without cause. In such case, the employee is not entitled to severance payment.

Special employment contracts

In order to provide an adequate framework, the law sets forth special forms of employment:

1. Fixed-term contracts
2. Seasonal employment contracts
3. Contingency employment agreement
4. Team employment contracts

TAXATION AND LABOR. **LABOR REGULATIONS.**

COMPENSATION (SALARIES AND WAGES)

Employees' compensation may be fully paid in cash or it may be paid both in cash and in kind, i.e. food or accommodation. In such case, payments in kind cannot exceed 20% of the total compensation amount.

The employer has the obligation to:

- ✓ Wire-transfer the employee´s salaries to a bank account on their names.
- ✓ Provide a salary slip
- ✓ Comply with the statutory term of payment: salaried employees must be paid at the end of the month, whereas wage earners must receive their compensation on a weekly or monthly basis.

STATUTORY ANNUAL EXTRA PAY

All workers are entitled to a thirteenth salary, which is officially referred to as Statutory Annual Extra Payment. Such payment is made in two installments: 50% of the total amount is granted by June 31 and the remaining 50% by December 31.

MINIMUM SALARY AND WAGE

The law establishes the minimum salary and wage amount. As of July 2018, such amount is set at ARS 10.000 (USD 260 approx.) for monthly salaries and ARS 50 (USD 1.30) for hourly wages.

Given Argentina´s high inflation rates, salaries are adjusted several times a year.

TAXATION AND LABOR. **LABOR REGULATIONS.**

ANNUAL VACATION

Annual vacation is paid time off employers grant to their employees.

The length of vacations varies according to the employee´s seniority:

1. From 6 months to 5 years of service: 14 calendar days
2. From 5 to 10 years of service: 21 calendar days
3. From 10 to 20 years of service: 28 calendar days
4. Over 20 years of service: 35 calendar days

New employees who have rendered services for less than half the business day of the year are entitled to one vacation day for every 20 days of service.

PAID MATERNITY LEAVE

The law provides for paid maternity leave which extends from 45 days before childbirth to 45 days after delivery.

Once this period elapses, women workers can choose to:

1. Resume working under the working conditions before the leave.
2. Terminate the employment contract unilaterally.
3. Request an unpaid extension of the maternity leave for an additional period ranging from three to six months.

Women workers are entitled to a daily thirty-minute break to breastfeed her child. This entitlement lasts for one year after childbirth.

TAXATION AND LABOR. **LABOR REGULATIONS.**

LABOR RISKS

Employers have the obligation to provide insurance to employees to cover labor risks. To such end, they must either self-insure or hire a risk labor risk insurance company (in Spanish Aseguradoras de Riesgos del Trabajo or ART), in order to compensate in the event of work accidents and diseases.

SOCIAL SECURITY

Businesses undertake to make the relevant contributions in connection with social security services for their employees. Such contributions include family allowances, union health insurance, pensions, and contributions to unemployment funds. Contributions represent 27% of the gross salary of employees that render services and 23% of the gross salary of the rest of the employees.

COMPULSORY LIFE INSURANCE

The employer must obtain an insurance policy within thirty days of the commencement of the employment relationship.

MINIMUM WORKING AGE

The minimum working age is 16 years old.

TAXATION AND LABOR. **LABOR REGULATIONS.**

DISMISSAL

None of the parties can terminate the employment contract without giving prior notice. The minimum notice period is set by the law as follows:

1. For the employee: 15 days
2. For the employer: 15 days for employees under probation period, one month when the worker's length of service is less than five years, and two months, when the length of service exceeds five years.

EMPLOYMENT RELATIONSHIP RECORDS

The employer has the obligation to register the employment relationship with the relevant authorities. In the event of termination of contract, the employer must give relevant notice to the Social Security Registry.

The duly registration of the employment relationship allows workers to enjoy the social security benefits granted by the law.

TAXATION AND LABOR. **LABOR REGULATIONS.**

OVERTIME

In Argentina, working time is 48 hours per week with a limit of nine hours a day (six hours a day for work performed under hazardous conditions). Night working time is limited to seven-hour shifts. Overtime is permitted with certain restrictions. Overtime rate is 50 per cent, for work performed on weekdays and Saturday mornings, and 100 per cent for work performed thereafter and on public holidays. The law establishes the maximum overtime limit which shall not exceed 200 hours per year or 30 hours per month.

LABOR UNIONS

Most workers are unionized. Historically, the power and influence of union was moderate, but it has increased in the last few years to such an extent that workers are also protected by collective bargaining agreements. Moreover, these workers may also opt for joining a union.

RELEVANT **LEGISLATION**

LEGAL FRAMEWORK	The Argentine Law provides for the protection of foreign investors and their projects. Argentina has entered into several bilateral investment treaties with other countries. It is a member country of the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to protect investments against non-commercial risks.
INVESTMENT MODEL	Foreign investors can start their businesses in three ways: setting up a foreign branch, acquiring ownership in an existing company or creating a new company.
CORPORATE AND BUSINESS ACT	Law No. 19,550 (amended and renamed as General Corporate and Business Law No. 26,994). Sets forth the different business forms available. The most popular business forms among foreign investors are Sociedades Anónimas (S.A.)— Corporations— and Sociedades de Responsabilidad Limitada (S.R.L.) — Limited Liability Companies or LLCs.
FOREIGN INVESTMENT LAW	Law No. 21,382 Sets forth the conditions for foreign investors to invest and transact business in the country. It further provides for the expansion of existing investment undertakings.
TRANSFER OF FUNDS	The funds received as capital contribution from foreign residents can be entered into the country or be kept abroad, there are no regulations in this respect.

EXCHANGE **RATES**

Date	ARS/USD
jan-13	4.96
feb-13	5.02
mar-13	5.09
apr-13	5.17
may-13	5.25
jun-13	5.34
jul-13	5.44
aug-13	5.49
sep-13	5.75
oct-13	5.86
nov-13	6.03
dec-13	6.33
jan-14	7.07
feb-14	7.86
mar-14	7.94
apr-14	8.01
may-14	8.06
jun-14	8.14

Date	ARS/USD
jul-14	8.18
ago-14	8.33
sep-14	8.43
oct-14	8.49
nov-14	8.53
dic-14	8.56
ene-15	8.61
feb-15	8.70
mar-15	8.79
abr-15	8.88
may-15	8.96
jun-15	9.05
jul-15	9.16
ago-15	9.26
sep-15	9.38
oct-15	9.50
nov-15	9.64
dic-15	13.30

Date	ARS/USD
ene-16	13.93
feb-16	15.04
mar-16	15.22
abr-16	14.70
may-16	14.43
jun-16	14.44
jul-16	15.17
ago-16	15.13
sep-16	15.32
oct-16	15.45
nov-16	15.57
dic-16	16.10
ene-17	16.21
feb-17	15.91
mar-17	15.83
abr-17	15.67
may-17	16.00
jun-17	16.37

Date	ARS/USD
jul-17	17.44
ago-17	17.72
sep-17	17.55
oct-17	17.76
nov-17	17.79
dic-17	18.05
ene-18	19.36
feb-18	20.17
mar-18	20.56
abr-18	20.54
may-18	24.19
jun-18	27.26
jul-18	28.29
ago-18	30.96
sep-18	39.41
oct-18	38.08

Monthly average exchange rates.

The Argentine peso was subject to a sharp devaluation in the second semester of 2018. It depreciated by 97% against the US dollar during the period Jan-Oct 2018.

CONCLUSION

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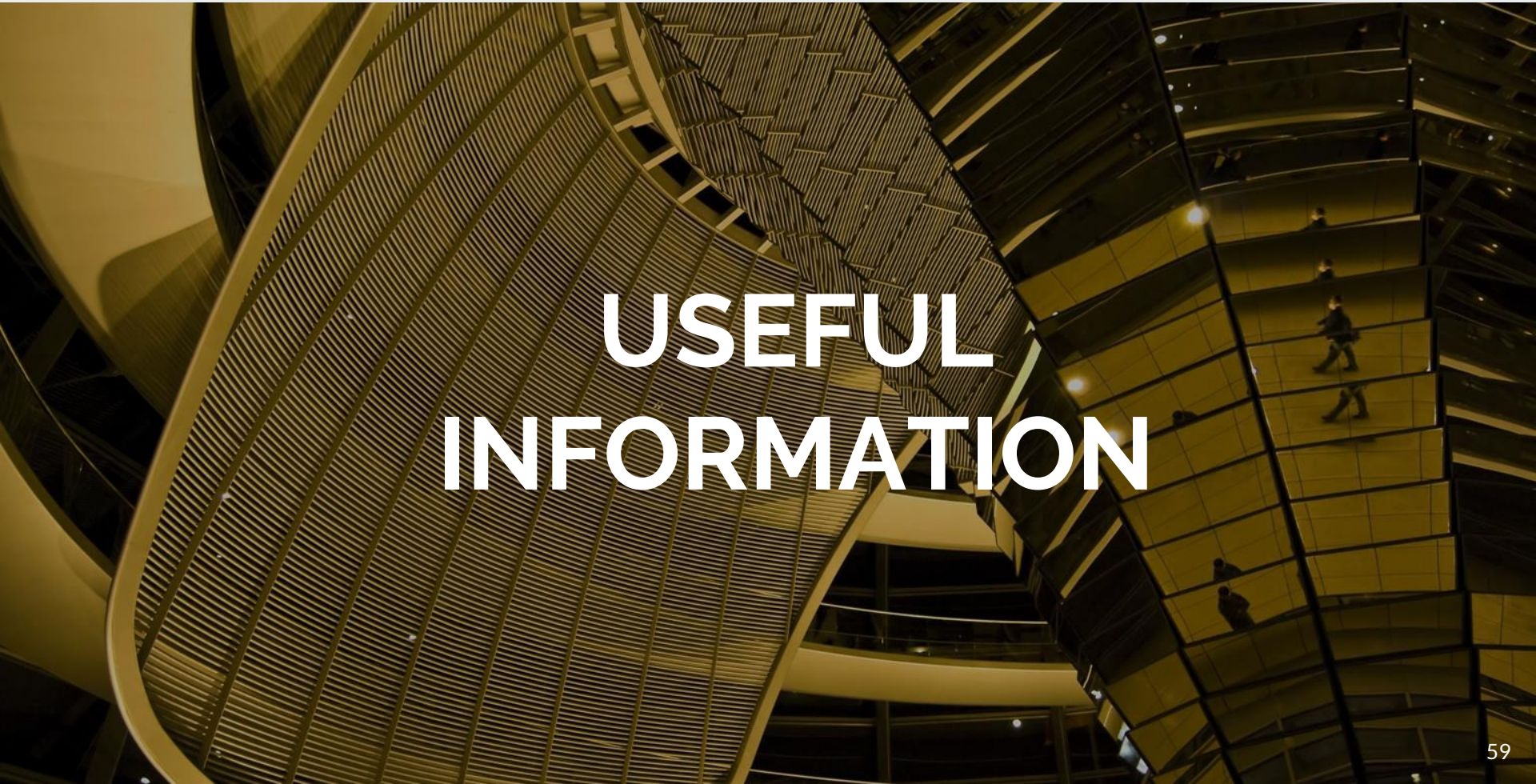
The output of the clothing and apparel industry has always been allocated to the domestic market given the industry's low competitiveness in relation with the global market and the industry's scarce added value. Besides, internal crises and the competition, many times unfair, with China adversely affected the development of the industry as Chinese products are traded locally at prices with which local firms can not compete.

High tax pressure and structural costs cause products to be sold to final consumers at uncompetitive prices. Consequently, Argentina should not adopt a mass market strategy to sell products at low prices, but an approach to sell differentiated products of high added value. Argentina's highly qualified human capital is a key factor that facilitates adopting such a strategy.

In this connection, smart textiles are a market niche that opens up new opportunities of long-term investment and might very well enable reaching new segments that prioritize usefulness and high quality over price.



USEFUL INFORMATION

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Argentine Industrial Chamber of Clothing (CIAI, Spanish acronym)	Address: Av. Rivadavia 1523 – 5th Floor – City of Buenos Aires Postal Code: C1033AAF Phone: (54-11) 4381-0001 – Web site: www.ciaindumentaria.com.ar
Argentine Federation of Textile Companies (FITA)	Address: Reconquista 458 – 9th Floor – City of Buenos Aires Postal Code: C10003ABJ Phone: (54-11) 4394-3700 – Web site: www.fita.com.ar
Argentine Cotton Chamber	Address: Lavalle 381 – 8th Floor - Office 30 – City of Buenos Aires Postal Code: C1047AAG Web site: www.camaraalgodonera.com.ar
PRO TEJER Foundation	Address: Av. Del Libertador 1311 – Vicente López, Buenos Aires Province Postal Code: B1638BEM Phone: (54-11) 4797-8584 – Web site: www.fundacionprotejer.com

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