

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## IMPORT RESTRICTIONS OF ARGENTINA

The following information has been received from the delegation of Argentina regarding the measures adopted by the Government of Argentina for balance-of-payments reasons. The laws and decrees referred to in this communication will be issued as an addendum to this document.

### MEASURES ADOPTED BY THE GOVERNMENT OF THE ARGENTINE REPUBLIC FOR BALANCE-OF-PAYMENTS REASONS

During the current year, Argentina's economic situation has been influenced by various factors which have adversely affected the external sector. In the first nine months of this year the balance of payments showed one of the largest deficits recorded in recent years, and if temporary measures had not been adopted, this deficit would have brought Argentina's external reserves down to a critical level.

#### Balance of Payments of the Argentine Republic (in \$ million)

	<u>Balance on</u> <u>current account</u> <sup>1</sup>	<u>Balance on</u> <u>capital account</u> <sup>2</sup>	<u>Balance</u>
1967	174.2	240.6	414.8
1968	- 18.5	178.0	159.5
1969	-223.6	114.1	-109.5
1970	-136.9	396.8	259.9
1971 <sup>3</sup>	-357.3	103.7	-253.6

<sup>1</sup>Including unilateral transfers

<sup>2</sup>Including errors and omissions

<sup>3</sup>January/September

At 30 September 1971 Argentina's international reserves were more than 25 per cent below their level at 31 December 1970.

International Reserves

(in \$ million)

	1967	776.4
	1968	833.7
	1969	573.8
	1970	758.8
(at 30.9.1971)	1971	569.8

With these limited and declining international reserves, the Argentine Republic must in the short term meet major financial commitments the aggregate amount of which it is difficult to determine. Nevertheless, by way of indication, one can state that at 31 December 1970 Argentina's external indebtedness was equivalent to \$4,765.1 million, of which \$1,562.2 million (almost 33 per cent) due for payment in 1971.

One of the principal causes of the decline in international reserves has been Argentina's trade deficit. This deficit is largely attributable to the fact that a small wheat harvest (due to unfavourable weather conditions) and reduced availabilities of cattle for slaughter have had the effect of reducing Argentina's overall exports. Despite reduced domestic consumption of beef, our exports of this product declined by more than 46 per cent between January and September 1971, in comparison with the corresponding period of 1970.

Nevertheless, the deterioration in Argentina's trade balance in 1971 is primarily attributable to the increase in imports. Indeed, while exports declined by 8.4 per cent in the first nine months of the year under reference, imports increased by 15.6 per cent in relation to 1970.

Argentina's External Trade

(in \$ million)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1967	1,464.5	1,095.5	+ 369.0
1968	1,367.8	1,169.2	+ 198.6
1969	1,612.1	1,576.1	+ 36.0
1970 <sup>1</sup>	1,773.2	1,684.6	+ 88.6
1970 <sup>1</sup>	1,415.0	1,235.7	+ 179.3
1971 <sup>1</sup>	1,295.0	1,428.0	- 133.0

<sup>1</sup>January/September

Having regard to the decline in international reserves, the continuing increase in imports and the difficulty of expanding exports, the Argentine Government issued Decree No. 2118/71 on 30 June 1971, ordering a suspension until 30 June 1972 of imports of certain goods which, because of their nature or intended utilization, are not essential for the country's development.

The aforementioned decree is designed:

- (a) to bring an improvement in the balance of payments;
- (b) to contribute to better utilization of international means of payment;
- (c) to safeguard domestic production and ensure employment opportunities for the labour force.

In view of the fact that the economic situation continued unchanged in all respects, the Argentine Government promulgated Act No. 19,242 in order to meet the emergency situation: under the Act, as a general measure, imports of goods not covered by existing suspension measures were suspended until 31 October 1971. Exemptions were provided in respect of goods which on the day following the publication of the Act were in one of the following situations:

- (a) goods already embarked for Argentina;
- (b) goods covered by an irrevocable documentary credit;
- (c) personal luggage or effects of travellers;
- (d) consignments to private persons, not of a commercial character;
- (e) personal effects of crew members;
- (f) imports by members of the Diplomatic Corps;
- (g) commercial samples.

Nevertheless, the above-mentioned Act was not applied in an absolute manner; it provided also that in the event of any serious problems of supply or equipment, the undertakings or sectors concerned could request the Ministry of Industry, Commerce and Mining to reconsider the measure.

Thus, on 5 October 1971 Decree No. 4485 was issued, affording some relaxation allowing certain exceptions from the stipulations of Law No. 19,242 in order to ensure supplies of essential inputs and machinery from other countries.

Two lists are annexed to the Decree; the first concerns tariff headings in chapters 84, 85 and 90 of the BTN, which are dutiable at the rate of 90 per cent. List 2 includes tariff headings in these same chapters which have been made subject to import licensing, as a safeguard measure, while the existing customs duty rates are maintained at 5 per cent.

Most goods coming from member countries of the Latin American Free Trade Association have been exempted from the import suspension.

In the exchange sector also, the Argentine Government has taken measures to contribute to restoring balance-of-payments equilibrium. While foreign exchange derived from export or import trade still passes through the commercial market, all financial transfers and other movements of funds to and from other countries must now pass through a financial market established by Decree No. 3952 of 17 September 1971, in order to make the exchange market more fluid and promote a better inflow of foreign exchange.

In addition, the same decree provides that in order to encourage exports, foreign exchange derived from foreign sales of products which have been the subject of promotional measures can be negotiated in the financial exchange market to the extent of not more than 10 per cent of the amount of each transaction.

Subsequently, on 23 October, Decree No. 4320 ordered that up to 20 per cent of the foreign exchange derived from exports could be negotiated in the financial exchange market and that in respect of imports, payment of not more than 80 per cent of the f.o.b. value at port of embarkation can be made through the commercial exchange market, while the balance can be transferred through the financial exchange market.

As already stated, the general import suspension imposed under Act No. 19,242, was introduced by the Argentine Government as an emergency measure of a purely temporary nature. Consequently, as foreseen, the general and temporary suspension on imports came to an end on 31 October last.

The Argentine Government is still studying certain measures designed to increase exports in order to relieve the critical situation in the external sector and to be able without difficulty to effect all the imports required for Argentina's economic development.

To date, a general 15 per cent increase in existing import duties has been announced together with a suspension of imports carried out by the State of Argentina, in pursuance of Act No. 19,326 and 19,327.

The texts of the legislation and decrees mentioned in this report are annexed hereto.