

GENERAL AGREEMENT ON

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TRADE POLICY REVIEW MECHANISM

ARGENTINA

Addendum

The attached should be added to the initial full report submitted by Argentina in pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490).

This addendum updates information contained in C/RM/G/18 and Add.1 of 8 November 1991.

NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.

I. Further development of the economic policy during 1991-1992

1. As already stated in its original report of November 1991 (document C/RM/G/18), Argentina has resolutely embarked on a strategy aimed at increasing the overall efficiency of the economy through the liberalization of all the available variables.

2. The expected outcome of this overall strategy should be a significant cost reduction stemming from structural changes in the public sector, which should help to eliminate once and for all the country's recurring fiscal deficits and hence the competitive handicaps of the production sector in international markets.

3. Since the completion of the above-mentioned report by the Government of Argentina, as well as the GATT secretariat's report, both of which were published in November 1991, further progress has been made in deepening the economic policy instruments which pursue these objectives.

4. The strides that have been made in opening the economy, deregulation, privatization, fiscal adjustment, inflation management and negotiation of durable solutions for the debt problem in recent months have been remarkable, winning praise from the international economic community and in particular from the multilateral finance institutions.

5. Likewise, in the last quarter of 1991 real progress was made in opening up the economy, and in hand with the consolidation of regional integration prospects.

6. To summarize, since the completion of the above-mentioned reports the present Administration has persevered in the deepening of the process of structural adjustment of the Argentine economy with the goal of restoring sound and sustained growth in the context of overall liberalization of the economy.

7. It is therefore to be hoped that the severe adjustment and transformation measures taken in the course of 1991 will begin to show results as from this current year; the economic trend indicators currently available are particularly encouraging in this respect.

8. This does not in any way mean that the process of overhauling the Argentine economy is nearing completion. On the contrary, the Administration is pursuing this exercise with a view to the consolidation of the structural reforms awaiting legislative approval, which range from financial to labour matters, as well as taxation, among other measures that should together shape the profile of genuine investment needed to ensure the success of the model.

9. To this end, the policy of privatization, deregulation and economic openness are key elements of the reforms the Government wishes to carry further, with the result that since October 1991 it has taken many decisions that are summarized below.

II. The deregulatory framework

10. Apart from the adoption of specific provisions, often requiring parliamentary approval, the Administration decided to establish an overall framework to facilitate rapid deregulation of various markets, simplify the tax system and ease the opening up of the economy.

11. The Government considered that the persistence of restrictions limiting internal competition or hindering the development of foreign trade distorted the relative prices of all goods and services traded domestically and also impaired the external competitiveness of domestic products, and therefore needed to be eliminated rapidly and comprehensively.

12. This is in line with its desire to deepen the structural changes referred to above, as a continuation of the Economic Emergency Law and the Law on the Reform of the State, which launched this process.

13. In this connection, the most significant step since the publication of the Argentine Report in November 1991 is the Economic Deregulation Decree No. 2284/91 and its supplements (described in detail below), which aim at the comprehensive elimination of many obstacles to domestic and international trade.

(a) Production pact

14. This pact signed between the Government and the Unión Industrial Argentina (Union of Argentine Industry) was designed to defend price stability. Thus, industry undertook not to increase prices and accept the economic openness policy in exchange for the containment of production cost in the form of charges for public services, incentives for industrial exports and greater surveillance of unfair import practices.

15. Some of the more important aspects of this pact are described below:

- Launching of a system of negotiable bonds for small and medium-sized enterprises;
- Opening of lines of credit through the Banco Nación Argentina at international rates;
- Policy of charges for public services at international rates;
- Elimination of the cheque tax, reduction of the rate of the assets tax and elimination of the 3 per cent statistical tax on exports;
- Process of regularization of labour relations;
- Encouragement of capital investment for reconversion and improvement purposes;
- Drafting of a new Foreign Trade Law within 180 days;

- Improvement of the customs valuation surveillance system;
- Implementation of a procedure for collection of drawbacks and VAT refunds within thirty days of shipment;
- Maintenance of industrial prices;
- Creation of the Investment and Foreign Trade Bank (Banco de Inversión y Comercio Exterior - BICE) to tap international funds for industrial equipment and reconversion.

16. From the outset this agreement was interpreted as an expression of the underlying ideas of the current policy and did not contain any implementing provisions; it was in fact applied in the course of the second half of 1991, so that it has now lost much of its operational relevance.

III. Economic policy developments

III.1 Fiscal situation

(a) 1992 Budget

17. For the first time in many years, Congress adopted the Budget Law in accordance with the constitutional requirements, before the beginning of the fiscal year. The 1992 Budget provides for a 27.7 per cent increase in government resources, which will total US\$17,427 million. Meanwhile, expenditure will increase by 7 per cent, amounting to US\$18,000 million. The difference indicates a borrowing requirement of US\$570 million (0.4 per cent of GDP). This is set in a context of GDP growth of 6.5 per cent and an annual inflation rate of 7 per cent. The breakdown of expenditure is as follows: Economy 24.7 per cent, General Administration 15.4 per cent, Social Welfare 14.6 per cent, Public Debt 14.2 per cent, Defence 9.6 per cent, Culture and Education 8.8 per cent, Security 6.6 per cent, Health 3.6 per cent, and Science and Technology 2.6 per cent.

18. It is important to note that the budget items providing for investment - with priority on energy - cannot be applied to current expenditure, as the specific purpose of allocations has to be respected.

19. In addition, according to the budget the rise in public sector wages and salaries depends on developments in the job-cutting programme.

20. Tax receipts are expected to improve by the equivalent of 1.2 per cent of GDP, rising to US\$12,327.2 million. With the addition of the resources in which the Provinces share, 7.8 per cent of GDP, the tax burden rises to 15.8 per cent of GDP, while the total tax burden of the economy amounts to 22 per cent (the additional 6.2 per cent for social security).

(b) Tax reform

21. On 1 April 1992 the tax reform currently before Congress will come into operation. It is based on the adoption of two taxes: a tax on

corporate operating profit, "Tax on the Initial Surplus of Enterprises" - (IEPE) and a tax on corporate and personal income "Tax on Distributed, Passed On and Consumed Earnings" - (IGDDC).

22. The IEPE will be applied to a broad tax base consisting of total sales less production costs, including wages and salaries and social contributions paid by the employer. It will be paid at the single rate of 18 per cent, and replaces the employer's pension contributions of 16 per cent and the contributions paid by the State as an employer, which will cease to be paid. This future tax will co-exist with VAT and be paid monthly. However, its scope is broader because all the VAT-exempt sectors will be liable to the IEPE (the clearest example being the enterprises which are entitled to the benefits of the industrial promotion system).

23. According to government calculations the IEPE receipts will represent an additional US\$2,500 million, of which 90 per cent will go to funding the national system of retirement pensions and the remaining 10 per cent will be distributed between the Provinces and the Municipality of the City of Buenos Aires, subject to compliance by the provincial administrations with the national tax guidelines.

24. The IGDDC does not replace the traditional Income Tax but rather replaces it for a period of ten years. This new tax will be paid on yields, income or profits that have been passed on to shareholders of a company or invested or re-invested in another economic unit. It will also be paid by self-employed persons, one-person firms and "dependent personnel" (employees), although the latter will have a very high non-taxable allowance. The rate for corporations will be 30 per cent, reduced to 27 per cent if they are listed on the stock-market, with the result that, taking into account that the IEPE will be deducted as payment on account of IGDDC, the effective rate of the latter will be 12 per cent. For one-person firms and employees the rate will be 20 per cent.

25. This new tax system has the advantage of ensuring better tax collection and reducing the burden on wages and labour costs, which represents a sharp reduction in the cost of taking on additional labour. Another of the system's assets is that it encourages investment, since all purchases of new technology and capital goods are immediately deductible. In addition, the interdependence among the various payments on account will encourage taxpayers to meet their obligation and facilitate inspection. Finally, family allowances, the provincial gross income tax and the provincial real estate tax will be considered payments on account of the IEPE, which will in turn be deductible from the IGDDC, so that the only taxes not deductible on account of any other will be the personal property and internal taxes.

(c) Relationship between the Federal Government and the Provinces

26. The Federal Co-participation Law provides for revenue-sharing in the form of a financial contribution received by the Provinces from the Central Government in the form of tax redistribution.

27. In the framework of the Convertibility Law it is essential to make this support conditional upon the implementation of severe adjustment

programmes at the provincial level: these will be supervised by the Central Government to ensure that there is no slippage in the management of global public finance.

28. The increase in tax receipts resulting from the Convertibility Law has gone entirely to the Provinces. As the tax collection targets were exceeded, last year the Provinces received more funds than in 1990, in return for which the process of transferring health, education and social welfare programmes to the Provinces has begun.

29. The ongoing preparation of laws for State reform at the provincial level also pursues this goal, with a view to modernizing governmental structures and overcoming their financial problems.

30. Finally, a process for the settlement of debits and credits between the Provinces and the Nation has also been introduced: balances will be settled by means of long-term bonds, and an agreement to this effect has already been reached with the provinces of Neuquén y Río Negro.

(d) Privatization

31. As regards privatization, it should first be pointed out that the President of Argentina has issued specific instructions to various Ministers for privatizations to be completed by the end of 1992, by which time the State should not have a managing interest in any public enterprise.

32. As the general mechanism of privatization, it is envisaged first of all to sell a percentage of the share package concerned to private groups, which would thus acquire the right to run the company. In a second stage this would be followed up by the offer of shares in these companies on the local and international stock markets.

33. To this end, Decree 2408/91 establishes the time-table for the privatization of Obras Sanitarias de la Nación (OSN), Empresa Nacional de Telecomunicaciones (Empresa Líneas Marítimas Argentinas (ELMA), Ferrocarriles Argentinos, Servicios Eléctricos del Gran Buenos Aires (SEGBA), Agua y Energía (AyE), Hidronor, Gas del Estado and Yacimientos Petrolíferos Fiscales (YPF).

34. The situation as regards specific privatizations is as follows:

Empresa Nacional de Telecomunicaciones (ENTEL)

35. In December 1991 the remaining 30 per cent of the shares of the former ENTEL, corresponding to the Telefónica Argentina company, one of the two successful bidders in this privatization, were offered for sale. Under the underwriting arrangement with the banks responsible for the offer, the government obtained US\$300 million, and the placement of the shares brought some US\$850 million at a unit price of US\$0.24 per share.

36. The public offer of shares corresponding to the Stet-Telecom de Argentina company, the other successful bidder, will be launched in the first half of March, using the same methods as in the case of Telefónica.

Aerolíneas Argentinas

37. Once the process of transfer of Aerolíneas Argentinas to Iberia had been completed, both companies denounced outstanding debts of various kinds such as tickets sold before the transfer, differences of inventory and payments due under the privatization agreement but not made.

38. The outstanding payment under discussion amounted to US\$43 million, reduced to US\$33 million as a result of the capital increase carried out by Iberia (the successful bidder in the privatization process). It was agreed that this balance would be paid in three instalments, between June 1992 and June 1993, thus completing the privatization of the enterprise.

39. As part of this package it was also agreed that the company should carry out the investment plan that has fallen into arrears since otherwise the guarantees will have to be executed and the company will lose its benefits as a flag line.

40. Finally, with regard to the US\$17 million inventory difference denounced by Iberia, conciliation is still under study given that the Sindicatura de Empresas Públicas (SIGEP) - the receiver for public enterprises - has not yet issued a decision on the matter.

Privatization of the electricity sector

41. Privatization of the electricity system has begun with the enactment of Law 24065 establishing the regulatory framework for the sector, by dividing the service into the generation, transmission and distribution stages. Three firms - Eléctricos del Gran Buenos Aires (SEGBA), Agua y Energía Eléctrica (AyE) and Hidronor - will be entirely privatized.

42. The share packages concerned will be sold by a bidding process, at the end of which the private operator will receive 51 per cent of the shares, while 10 per cent will be subject to the co-ownership régime and 39 per cent will be sold on the Stock Market. As far as charges are concerned, most of the tax burden included in them is to be eliminated, and a regulatory body will be established to set prices at the wholesale stage.

43. For this purpose, SEGBA has been divided into seven economic units, Puerto Nuevo and Nuevo Puerto, Central Costanera, Centro de Movimiento de Energía, Servicios Asistenciales, Sucursal La Plata, a distribution and marketing company and a systems company.

44. The first tender process planned is for the Puerto Nuevo and Nuevo Puerto power stations, which will be offered to the private sector in the second half of January as a single company. Debt capitalization will not be accepted in this first stage as a form of payment.

45. The sale of larger further power stations up to the total of 3,700 megawatts (SEGBA and AyE) will be carried out gradually during the first half of this year. This is also the estimated timetable for the transfer of SEGBA distribution services, while the two companies organized on the

distribution side (Edenor and Edesur) will be privatized in June of this year.

46. In December 1991, a consultancy competition was held for the organization of the National Dispatching Company, which should be in operation in May of next year.

47. Finally, technical and economic studies were begun in January for the privatization of the transmission network and the hydro-power stations of AyE and Hidronor.

48. As far as functional reorganization is concerned, the distribution and irrigation activities for which AyE remains responsible at the national level will be transferred to the corresponding provincial authorities during the current year.

Ferrocarriles Argentinos

49. Out of the total 38,000 km. of the railway network, the 4,922 km. of the Rosario-Bahía Blanca corridor have now been privatized; the royalties and rents will bring in US\$131 million to the Treasury by the end of the concession.

50. A concession was awarded for the 2,751 km. General Urquiza line, but subsequently the tender procedure had to be annulled because the guarantees lodged by the bidder at the appropriate moment were subsequently withdrawn. A new call for bids has been issued, and the Government expects to receive payments of some US\$50 million during the concession period by way of royalties and rents.

51. A thirty-year concession has been granted for the 5,011 km. General Mitre line to a consortium headed by Aceitera General Deheza, an Argentine-owned economic group, whose bid provides for investment of US\$410 million in the first 15 years, a monthly royalty of US\$27,000 and the employment of 1,810 of the present 6,000 employees.

52. The tender process has recently begun for the 5,201 km. General San Martín line.

53. With regard to the General Roca line, a call for bids is to be issued shortly for the 363 km. of the busy passenger corridor between Buenos Aires and Mar del Plata, while a second tender is planned for the remaining 3,357 km.

54. The remaining secondary branch lines, which total 9,123 km., will be taken over by the Provinces, or closed.

Privatizations in the area of the Ministry of Defence

55. Under Law 24045 enacted in December 1991, the following twenty-seven enterprises are to be privatized:

Astilleros y Fábricas Navales del Estado (AFNE)
Hierros Patagónicos SA (HIPASAM), which it was decided to put into liquidation.
Astilleros Domecq García
Sidinox SA
Sociedad Anónima para el Desarrollo de la Tecnología Acuática (SATECNA)
Petroquímica General Mosconi
Petroquímica Bahía Blanca
Sociedad Mixta Siderúrgica Argentina (SOMISA)
Tanques Argentinos Medianos Sociedad del Estado (TAMSE)
Empresa de Desarrollos Especiales
Sisteval SA
Fábrica Militar General San Martín
Fábrica Militar de Vainas Y Conductores Eléctricos (ECA)
Fábrica Militar de Acido Sulfúrico
Fábrica Militar de Pilar
Fábrica Militar de Tolueno Sintético
Fábrica Militar de Armas Portátiles Domingo Matheu
Fábrica Militar Fray Luis Beltrán
Fábrica Militar de Pólvoras y Explosivos Villa María
Fábrica Militar Río III
Fábrica Militar de San Francisco
Complejo Industrial Ramallo - San Nicolás
Centro de Exploración Geológico Minero
Fábrica Militar de Pólvoras y Explosivos Azul
Tecnología Aeroespacial SA
Area Material Córdoba

56. The proceeds of these privatizations will go to the Ministry of Defence to cover the needs of overhauling and restructuring the armed forces. As part of this rationalization process, the Air Force and the Army have announced a plan of real estate sales.

Privatization of the petroleum sector

57. A bill for the privatization of YPF (Yacimientos Petrolíferos Fiscales) has been submitted to Congress. It will allocate ownership of fossil fuels to the Provinces, to which the Federal Government will pay royalties in the form of bonds that will enable them to acquire shares in YPF.

58. With regard to tenders for the various petroleum areas, bids were invited last December for three Southern-Basin areas, of which only one was awarded, to a consortium formed by the Compañía General de Combustibles, Quintana Petroleum Corporation and Marc Rich 7 Company, which offered US\$55 million. A further tender procedure was organized in January and an additional US\$143 million were obtained.

59. Finally, there is also a bill concerning the privatization of petroleum areas in the jurisdiction of La Pampa Province.

Privatization of Obras Sanitarias de la Nación (OSN)

60. The kick-off for this privatization procedure was given with the opening of the envelopes of particulars of the bidding groups, headed by Thames Water (Great Britain), North Western (Great Britain), Compagnie Lyonnaise des Eaux (France), Compagnie Générale des Eaux (France) and Canal Isabel II (Spain).

61. The future holder of the concession for Obras Sanitarias for the next thirty years will be one of these five companies. According to preliminary calculations, the sum to be invested for the metropolitan area concerned by the tender amounts to US\$1,200 million.

62. Under the tender specifications, the future operators of OSN must undertake to employ all the present employees.

63. Pending adoption of the regulatory framework for this sector, which is currently before Congress, it is hoped that the process will be finalized by the end of this year.

64. The follow-up on the privatization of OSN will be carried out by a tripartite body consisting of the National Government, the Municipality of the City of Buenos Aires and the Province of Buenos Aires representing the municipalities of the suburban area.

Privatization of Gas del Estado

65. For the privatization of this company it is intended to grant concessions on distribution networks for a thirty-five year period. Consequently, there will be no sale of assets nor therefore any revenue except for those from the royalty paid by holders of concessions. The fourteen units into which the company has been divided will be put up for bids next March. They consist of two main gas pipeline systems, two distribution regions for the Federal Capital and Greater Buenos Aires, and between eight and ten additional regions into which the gas distribution networks will be divided in the rest of the country. The tender procedure will cover 12,600 km of mains gas pipelines, 1,500 km of collection systems, 9,700 km of medium-pressure distribution lines and 50,000 of low-pressure distribution networks. There are no definite plans yet for the future management of the gas pipelines, although Resolution 66/91 of the Department of Fuels authorizes the construction of pipelines by third parties until privatization is carried out.

Privatization of National Highways

66. In this sector the contracts signed earlier, comprising nineteen corridors previously put up for bids through a toll system, have been renegotiated.

67. In December 1991 the envelopes were opened containing the technical offer submitted by national and Spanish companies grouped into three consortia for the tenders for the network of Fast Transit Highways to the Federal Capital. This consists in the construction and maintenance of toll-paying motorways and toll-free high-speed roads.

Other sectors to be privatized

68. During the month of December 1991 the Government announced plans for the future privatization of the Caja Nacional de Ahorro y Seguro, the social security system, the grain elevators of the various ports, a number of facilities of the Junta Nacional de Granos that has gone into liquidation, the national casinos and the National Post and Telecommunications Company (Empresa Nacional de Correos y Telecomunicaciones - ENCOTEL).

69. Plans have also been revived for the privatization of Empresa Líneas Marítimas Argentinas (ELMA), for which bidding will be organized in the course of this year, open without restrictions to national or foreign bidders.

70. This will take the form of the sale of 85 per cent of the equity of ELMA held by the State, which will continue to own 5 per cent while the company employees will receive 10 per cent. The transaction will concern the present structure of the firm's shipping traffic, its physical assets (ships), subsidiary companies abroad and management and staff organization, but its debt will not be transferred to the successful bidder.

71. The privatization of the first provincial bank (Banco de Corrientes) has also begun, with the planned offer of 60 per cent of its share capital to the private sector. For this purpose, the Governments of Mendoza and Rio Negro enacted legislation transforming provincial banks into stock corporations with State and private participation.

72. Finally, the process of liquidation of the National Reinsurance Institution (Instituto Nacional de Reaseguros - INDER) has begun; as a first step, the possibility of contracting reinsurance services abroad has been deregulated.

III.2 Monetary and financial policy

(a) Change of currency

73. A change of currency came into effect on 1 January 1992. The new currency of Argentina is the peso, and has a parity of 1 to 1 with the dollar, since it is the equivalent of 10,000 australes, or one dollar. The austral will continue to exist side by side with the peso for a few more months. It was in circulation since 14 June 1985, and the new Argentine peso which has now come into circulation is the fourth change of currency in twenty-two years, as a result of successive bouts of inflation which have racked the country during that period.

74. The replacement of the austral and the return to the traditional name of the Argentine currency will this time be accompanied by legal arrangements and economic reforms which shape a different reference framework compared with earlier currency changes.

75. The peso is the natural consequence of the convertibility system put into effect on 1 April 1991, which established a fixed parity with the United States dollar and gave the Central Bank of the Republic of Argentina the obligation of backing the nominal value of the currency with equivalent reserves. Hence to achieve the full equivalence of the value of the local currency with that of the benchmark currency, the United States dollar, there was only one step, which was taken with Decree 2128/91. By removing four zeros from the old currency, the Government made clear the convertibility relationship and set a single parameter for setting and comparing domestic and external prices.

(b) External debt

76. First of all, it should be mentioned that in September 1991 part of the arrears with the Paris Club were refinanced, for an amount of US\$1,500 million over ten years, with a six-year grace period.

77. At the end of last December, the International Monetary Fund authorized disbursement of the second tranche of the stand-by credit for an amount of US\$240 million.

78. The Government intends to transform the current stand-by arrangement into an extended facility for an amount of US\$3,000 million over three years, without need of quarterly monitoring by the Fund. The negotiations have already begun, and it is hoped to conclude them by March 1992.

79. This extended facility agreement (which is being negotiated on the basis of a fiscal surplus target of US\$200 million monthly) will become part of the critical mass of funds needed for Argentina to join the Brady Plan designed by the United States Treasury Secretary in order to reduce the debt of countries applying adjustment policies with international support. In addition to the above-mentioned US\$3,000 million, there are the receipts from privatizations, a probable loan from Japan, the IMF "augmentation" and other loans from multilateral credit institutions, all of which should bring together more than US\$5,000 million to back the debt reduction programme.

80. It should be pointed out here that the total amount owed by Argentina to private financial creditors is between US\$35,000 and 40,000 million, while the arrears of interest amount to between US\$7,000 and 8,000 million.

81. In January 1992 negotiations officially opened between Argentina and the creditor banks for access to the Brady Plan. Membership of this Plan has to be set in the reference framework provided by the convertibility plan, lack of own resources, the high level of arrears of interest and the need to have recourse to multilateral credit institutions, as mentioned above.

82. According to the preliminary information available, Argentina hopes to refinance its debt over a thirty-year period, coinciding with the maturity of United States treasury bonds, at a 40 per cent discount. The method used would be to issue par bonds at a fixed rate of 5 per cent annually as well as discount bonds at $\text{libor} + 13/16$ per cent. This operation will

be covered by the above-mentioned United States zero-coupon treasury bond plus 6 per cent for the interest guarantee. Argentina will try to combine the purchase of this bond with the delivery of the other bond to banks, as it hopes not to disburse funds for arrears of interest.

83. In these negotiations, Argentina would consider the possibility of increasing its monthly payments on account of arrears of interest by US\$60 million.

(c) Developments in the foreign investment régime

84. The present foreign investment régime dates from 1976 and is contained in Law 21382, subsequent reorganized in 1980 by Law 22208, with the addition of the provisions introduced by the Economic Emergency Law (No. 23697), which has already been mentioned in Document No. C/RM/G/18.

85. Although the principles laid down in the above legislation were not necessarily restrictive, it must be recognized that prior to the amendments made by the Economic Emergency Law the application of the foreign investment régime was de facto restrictive.

86. The major reforms introduced by the Economic Emergency Law in line with the policies of deregulation, privatization and promotion of foreign investment have meant that this régime has to be applied automatically, with the elimination of remaining restrictions in relation to registration and approval of investment as well as a certain amount of tax discrimination subsisting with regard to foreign investors.

87. In this connection it should be mentioned that foreign investment in specific production sectors was previously subject to government approval, a condition that has now been eliminated, although certain sectoral formalities must still be fulfilled in certain cases and will continue to be enforced on a non-discriminatory basis until the deregulation of the sectors concerned has been completed.

88. Likewise, at present the registration of foreign investment is an automatic and optional procedure, although by doing so investors benefit from the coverage of the legal guarantees of the régime in the event of possible restrictions on the transfer of profits for balance-of-payments reasons.

89. Finally, Law 23760 on the tax reform abolished the special tax on profits remitted abroad, which involved a tax discrimination that conflicted with the equality of treatment provided for by the foreign investment régime.

90. As a result of these developments, the Economic Emergency Law authorized the Government to negotiate with third countries the signing of agreements for the promotion and reciprocal protection of investment. So far, such negotiations have been carried out with many major partners in this field, including Belgium, the Netherlands, the United Kingdom, France, Germany, Switzerland and recently the United States.

91. The major innovation of these bilateral agreements is that these countries' investors have an unqualified guarantee of free transfer of capital, profits and other funds. In the case of profits such transfer is guaranteed even in the case of limited application of restrictions or payments in bonds which can be invoked under the general investment régime in the event of a balance-of-payments crisis.

92. At the same time, most of the agreements signed contain important provisions relating to the machinery applicable for possible expropriation with a guarantee of compensation, as well as mechanisms for dispute settlement which, in general, allow recourse to binding arbitration by the parties after local legal remedies have been exhausted.

(d) Repatriation of capital

93. The bill dealing with this matter is under consideration by Congress.

94. It provides that Argentine capital abroad until 1 April 1991 may be repatriated if on return it is deposited for ninety days in a banking institution, after which it will be exempt from taxes that accrued and remained unpaid prior to repatriation, and will be liable to all local taxes after return.

95. It also provides a four-year period for the repatriation of capital from the date when the law comes into force, although it remains to be decided whether only capital outside the country can be "laundered" or whether this will also apply to capital in the country up to a specified amount.

96. To this end a scale will be applied whereby if the capital enters the country within the first year it will be liable to payment of a single tax at a rate of 1 per cent, which will rise to 1.5 per cent during the second year, 2 per cent in the third year and 3 per cent if it enters the country in the fourth year. A compulsory monthly payment will also have to be made in order to be entitled to "laundering" the funds at a rate of 0.166 per cent, which is doubled if the person concerned is liable to assets tax.

III.3 Trade policy

(a) Trade policy measures

97. As mentioned in Section I above, on 31 October 1991 the National Executive Power enacted Decree No. 2284/91, the Economic Deregulation Decree, which constitutes the keystone of the ongoing process of deregulation.

98. The fundamental goal of this Decree is to facilitate internal and external trade, basically by fostering the deregulation of the various markets and simplifying the tax system.

99. Thus, the Government has considered that the persistence of restrictions limiting competition or hindering the development of foreign trade has the effect of distorting relative prices of the goods and

services marketed exclusively on the domestic market and goods sold on external markets, and these distortions affect the external competitiveness of the national economy.

100. The objective of this Decree, of which the main measures are described in detail below, is to deepen the structural transformation of the economy begun by the Economic Emergency Law and the Law on the Reform of the State, already described in Document No. C/RM/G/18.

101. It should be pointed out that one of the basic objectives pursued is to continue the process of opening the economy and of growing participation in world trade.

102. To that end, some of the main measures concern the suspension of the remaining quantitative restrictions on imports and exports, the elimination of non-tariff barriers (Consular fees, Statistical Tax on exports, National Export Promotion Fund), the streamlining both of customs formalities and of sanitary inspection prior to the entry of agricultural products, and the abolition of cargo preferences.

103. In this framework, the main measures contained in the Economic Deregulation Decree are described below.

a.1 External trade policy measures.

- The 3 per cent statistical tax on exports is abolished. (see C/RM/G/18, page 13).
- The Export Promotion Fund, financed by a 0.5 per cent levy on imports, is abolished (see C/RM/G/18, page 7).
- The consular fee is eliminated, as are all forms of consular intervention for the documentation concerned by these rules. The elimination of consular interventions matters as the consular fee was paid as part of the final import duty, which is why it was not specifically mentioned in document C/RM/G/18.
- The National Merchant Marine Fund, already suspended under Decree No. 1704/91, is eliminated. This consisted of a 2 per cent levy on export freight and 12 per cent on import freight (see C/RM/G/18, page 13).
- All interventions or authorizations required in advance for export operations and for customs documentation for processing shipments are eliminated, with the exception of restrictions required in application of international agreements under compulsory sanitary standards which cannot be carried out by private institutions and restrictions relating to the conservation of wildlife and the environment.
- With respect to sanitary controls for imports of products of animal or vegetable origin, inspection prior to entry may be carried out by the competent bodies for products not directly put up for sale to the public.

- In the case of products put up for retail sale, sanitary and food inspections may be carried out following the goods' entry into the country, except in the case of products whose packaging does not guarantee stable sanitary conditions.
- For this purpose the bodies responsible for sanitary and food inspection are to establish local services at all customs offices through which such products enter the country, with the capacity to inspect and authorize imports.
- Prior intervention or authorization by any body, other than the National Customs Administration for the import of goods not included in the above paragraph is eliminated, with the exception of products considered dangerous for health or the environment.
- All restrictions on imports based on origin and provenance are abolished.
- The cargo preferences established by Laws No. 18,250, 22,763 and 23,341 and amendments thereto are abolished, on the grounds that they have operated to make foreign trade more expensive and had an adverse affect on producer costs and consumer prices.
- The formalities for enrolment in the National Customs Administration Register of Importers and Exporters have been simplified. Registration will be carried out simply through accreditation of the registration of the person concerned with the Directorate-General of Taxation, by means of his Single Tax Identification Number (CUIT).
- The new system of temporary import of goods for subsequent export has been adopted by Resolution 72/92 of the Ministry of the Economy (see C/RM/G/18, page 25).

The régime establishes shorter periods than previously for inward-processing of imported goods. It also abolishes the possibility of rebuilding inventories or of transferring the goods imported under the system, and establishes that the system will now be implemented by the Customs, while the Department of Industry and Trade will only be responsible for supervision and categorization.

- The carriage of goods by road is liberalized and deregulated, as are the loading and unloading of goods and contractual relations between carriers and consignors of goods throughout the national territory.
- The import of medicaments prepared and put up for sale to the public is authorized.
- Decree 150/92 establishes the obligation to prescribe drugs by their generic names and authorizes the import of medicaments from a number of countries.

- The so-called "Buy Argentine" régime is abolished; the sole remaining requirement is a preference for the purchase of local products subject to equality of price with imported products or equality of bids for the supply of works or services between locally-owned or foreign companies (see document C/RM/G/18, page 14).
- The contributions paid on the internal or external marketing of meat and on the export and processing and sale of cereals are eliminated.
- The duty-free import of raw materials, inputs and materials for the production of primary aluminium is abolished.
- The legal provisions governing the iron and steel industry are repealed, with the abolition of the industrial promotion régime which granted tariff advantages for the import of raw materials for the industry. The duty-free régime for the import of equipment is likewise repealed, with the elimination of the exemption from import duties of machinery, accessories and parts not produced in the country and intended for the installation and expansion of steel plants. Finally, the Steel Industry Register is abolished.
- The promotion régime for the shipbuilding, aircraft and road transport equipment industries is abolished. In the case of the shipbuilding and aircraft industries, the promotion consisted of duty-free import of goods not produced in Argentina. As regards road transport equipment, duty-free privileges have been withdrawn from manufacturers of such equipment for the import of parts and equipment not produced in Argentina which were intended for use in the domestic production of road transport equipment or for the starting up of industrial plants in this sector.
- The 0.4 per cent tax on foreign exchange transactions relating to foreign trade is abolished. (See page 14 of the document under reference).
- A number of other deregulation measures have been introduced since Decree 2284/91, inter alia the following:
 - Decree 2538/91 allows the equivalent of 30 per cent of the hold capacity of air services to be carried on non-scheduled flights.
 - Under a Resolution of the National Customs Administration, imported goods may be cleared for the market directly.
 - In the framework of port deregulation, the services of inland waterway pilots may be freely contracted, and new pilots may be included in the registers without quantitative limitation.

- The ban on the export of live animals has been lifted.
 - The Revenue Secretariat has established a new régime for prompt refund of VAT.
 - The DGT has modified the time-frame of the optional régime for the refund and transfer of VAT credits relating to export transactions.

a.2 Domestic trade policy measures

- The regulations existing in the vine and wine production, fodder production and sugar production sectors and related industries, which in general tended to guarantee producer prices in those sectors, are revoked.
- The production and marketing of wine is liberalized throughout the national territory, and all quota limitations abolished.

The responsibilities of the National Vitiviniculture Institute are to be limited to certifying that vine products are genuine, and it will have no authority to regulate or modify the operation of the free market for wine.

- The cultivation, harvesting, industrial processing and marketing of sugar cane and sugar is liberalized throughout the national territory.
- The regulations applicable to the dairy market and the dairy industry are revoked.
- Various bodies that formerly regulated sectoral economic activities are dissolved, including the National Grains Board, the National Meat Board, the National Forestry Institute, the Consolidated Fish Market, the Liniers National Real Estate Market, the Yerba Maté Production and Marketing Board, the Yerba Maté National Consignment Market, and the National Sugar Directorate.

In this context, the domestic and foreign trade policy functions formerly entrusted to the National Meat Board and the National Grains Board, including those relating to compliance with international agreements, have been transferred to the Secretariat for Agriculture, Livestock and Fisheries.

The former responsibilities of those two boards in regard to policy making and quality certification are now within the purview of the National Animal Health Service (SENASA) and the Argentine Plant Health and Quality Institute (IASCV) respectively.

Similarly, such functions formerly entrusted to the Yerba Maté Production and Marketing Board and the National Sugar Directorate respectively as were not revoked under the Decree have been transferred to the Secretariat for Industry and Trade.

- All restrictions, quotas and other quantitative limitations have been eliminated in respect of imports and exports, and these remain subject to provisions laid down by the implementing authority.
- Other deregulation measures introduced since Decree 2284/91 (on economic deregulation) include the following:
 - The launching of warrants as an instrument allowing agricultural and industrial producers and traders to gain access to credit by lodging goods on deposit as a guarantee.
 - Deregulation of the marketing of liquid gas by bulk by bulk-breaking plants.
 - Limitation to 500 metres of the protection perimeters of markets of national interest.

104. Decree 2284/91 has been supplemented by Decree 2488 of 26 November 1991 which deregulates a series of activities that were not covered in detail by the former.

105. The activities covered by Decree 2488/91 extend to the following: the dairy industry, the iron and steel industry, aluminium production and the shipbuilding, aircraft and road transport equipment industries.

(b) Establishment of the Investment and Foreign Trade Bank (BICE)

106. Decree 2703/91 approved the establishment of the Investment and Foreign Trade Bank, which is to have responsibility for financial wholesaling operations relating to investment projects and foreign trade, bringing together the wholesaling activities hitherto carried out by the BANADE, the National Bank and the BCRA.

107. Accordingly, all foreign trade financing operations will be in the hands of the BICE, which for this purpose is negotiating a credit line with the IDB that would replace the wholesaling lines already mentioned. The above-mentioned body will become largely private, following the sale of its shares in small packages of not more than 3 per cent of the total capital.

(c) Tariff reform

108. The most recent modification of the tariff was in November 1991 when headings that had been subject to a zero duty became dutiable at the rate of 5 per cent and duty rates of 11 per cent were raised to 13 per cent, with a few exceptions listed in Resolution 1389/91. There has been no change as regards headings dutiable at rates of 22 per cent and 35 per cent respectively.

(d) Motor vehicle régime

109. With effect from 1 January 1992 any natural or legal person can import motor vehicles of any origin upon payment of a tariff of 22 per cent (previously 35 per cent) provided that the models concerned are similar to those already manufactured in Argentina (the list of these has been published in a Resclution of the Ministry of the Economy) or that they are imported by automotive subsidiaries producing locally. In addition a quota is to be opened equivalent to 8 per cent of domestic production for the import from abroad of any other vehicle, subject to bidding among interested importers, the award being made to whoever offers to pay the highest percentage of duty in excess of the general rate of 22 per cent.

110. The quotas are forecast to increase to the equivalent of 9 per cent and 10 per cent of the market respectively by 1994, and in the following year a harmonized sectoral import régime, to be agreed on with the member countries of MERCOSUR, is to be introduced.

111. In order to avoid possible supply shortages, i.e. delivery delays exceeding 90 days for locally produced vehicles, the authorities can decide to enlarge the import quotas.

112. Similarly, automotive subsidiaries producing locally can also import motor vehicles or parts therefor upon payment of a tariff of 2 per cent. In this context, in addition to allowing the import content of the domestic product to increase to 40 per cent, within a period of three years they must compensate with exports all the foreign exchange required for their imports, while each subsidiary can use any surplus in its foreign exchange balance to import additional motor vehicles, likewise by paying a tariff of 2 per cent.

113. For this purpose, local producers can classify as exports:

- Complete motor vehicles exported by the subsidiaries themselves, which will be valued at the rate of \$1.2 for each effective US dollar of export price.
- Parts exported by the subsidiaries themselves.
- Parts exported by independent automotive parts manufacturers to the parent firms of subsidiaries, for which purpose the subsidiaries must incorporate 25 per cent of the said production in their exports.
- Thirty per cent of investment in capital goods of domestic origin.

114. Lastly, for motor vehicle manufacturers not installed in Argentina the import tariff rate has been fixed at 18 per cent, and they are required to compensate the use of foreign exchange for that purpose by exports of automotive parts to the parent firm of the make to be imported.

115. In this context, in the course of the first six months of 1992 motor vehicle subsidiaries must present an industrial re-conversion plan, and non-compliance will result in cancellation of quotas for the import of vehicles not produced or not imported by the local subsidiaries.

116. The plan must include aspects such as the production of new models which are in production in the parent firm on the launching date of the plan, reduction of the number of models manufactured in the country, the plan for new investment and the programme for generating foreign exchange by exports to offset their imports over three years.

(e) Electronics sector

117. It should be underlined that the reference prices for imports of these products have been eliminated and electronic products are currently dutiable at the rate of 35 per cent. Further progress in opening up this sector was made in the second half of 1991.

118. The Special Customs Area régime for Tierra del Fuego is still in effect, as indicated in the document already presented by Argentina. Nevertheless, following the enactment of the Economic Emergency Law, until mid-1991 undertakings established under that régime paid only 50 per cent of the VAT rate, and since that date they have been fully exempted.

(f) Other

119. As already mentioned, import quotas and reference prices were abolished under Decree 2284/91, while prior interventions for reasons of health and security are also under review.

120. The industrial promotion régimes are still suspended, and at the present time are being reviewed in order to verify their effects and study appropriate action for any reform.

III.4 The GATT Uruguay Round and its implications for Argentina

121. From the outset, the Argentine authorities have supported the efforts to foster international trade liberalization through the Uruguay Round, and have been participating actively in all the stages of the exercise.

122. At the meeting of the Trade Negotiations Committee on 13 January 1992, Argentina clearly expressed its support for the Draft Final Act in document MTN.TNC/W/FA tabled by the Chairman of that Committee.

123. It underlined once more that while that proposal does not fully satisfy Argentina's aspirations in various areas of particular interest for our international trade, it can be accepted as reflecting the delicate balance reached in the negotiations, which should bring a strengthening of the multilateral trading system in which the necessary adjustment is undertaken equitably by the principal contracting parties.

124. In this sense we consider it appropriate to point out - going beyond some dissatisfaction in regard to certain aspects of the document - that the proposed text presents a reasonable balance between the interests of the various contracting parties, and should therefore be seen as a significant contribution to continuity of the liberalization process in the multilateral trading system.

125. In this respect, it should be recalled that in terms of the objectives declared at the Punta del Este meeting, and likewise the principles agreed on at the Mid-Term Review in Montreal, the conclusions of the Uruguay Round set forth in the Draft Final Act fall short of Argentina's aspirations, particularly in regard to agricultural trade.

126. Nevertheless, the Argentine authorities consider that the introduction of clear definitions and transparent rules for implementing the principles set forth in the General Agreement, together with the adoption of flexible dispute settlement mechanisms that are binding for the parties, constitute definite progress by the Round, as does the incorporation into the GATT rules of sectors such as textiles and agriculture.

127. In this context, Argentina considers that it has contributed to the liberalization process, in particular as regards market access, through a comprehensive offer of tariff binding which numerous contracting parties have commended for its size and coverage.

128. In addition to Argentina's offer to bind its tariff at the level of 35 per cent ad valorem with no exclusions, significant progress has been made in autonomous liberalization of access to the Argentine market since the beginning of the Uruguay Round, more particularly in the period 1990/1992 with the elimination of all non-tariff restrictions, and in this context contracting parties have recognized the contribution made by developing countries to attaining the objectives of the Uruguay Round.

129. Argentina considers that it has given advance implementation to the major part of the commitments set forth in the Final Act of the Uruguay Round, and its trade policy has been moving autonomously in that direction in the conviction that strengthening of the multilateral trading system will be particularly beneficial for our country's integration in the international economy. To that end, the Argentine authorities are fully disposed to examine the adoption of each and every one of the rules and codes that result from the Final Act, for these will ensure adequate regard for the interests of all contracting parties in the future.

III.5 Other deregulation measures

(a) Financial sector

130. The official guarantee régime for deposits has been amended by making it optional for private entities to participate.

131. Communication A 1874 of the BCRA requires banks to publish the interest rates they charge and establishes a risk classification for entities, together with reference rates for loans in pesos and dollars.

(b) Labour Law

132. On 10 December 1991 the Executive Branch promulgated Law 24013 - the Labour Law - (see page 22 of the document under reference) and simultaneously vetoed seven of its articles on the grounds that in some cases they were in contradiction with the Deregulation Decree and, in others, increased the labour costs of the employer sector.

133. Among the central objectives of the Labour Law, the following should be underlined:

- To promote the creation of productive employment through actions and instruments provided for in the government's various policies, and likewise through specific programmes and measures to foster employment.
- To foresee and regulate the impact of industrial redeployment and structural reform on employment while safeguarding the essential objectives of those processes.
- To encourage the transfer of persons engaged in low-productivity and low-income urban or rural activities to other more productive activities.
- To promote job opportunities for groups that encounter the greatest insertion difficulties in the labour market.
- To incorporate vocational training as a basic component of employment policies and programmes.
- To promote the development of policies designed to increase production and productivity.
- To encourage the sectoral and geographical mobility of workers so as to contribute to better adjustment between worker availability and job creation.
- To organize an efficient system of protection for unemployed workers.
- To establish adequate operating mechanisms for a vital and flexible minimum-wage régime.
- To promote stable bases for labour relations, while discouraging evasive practices.
- To implement mechanisms for tripartite and federal participation at the decision-making level and for federalization and municipal decentralization at the level of implementation and management.

134. On the same date the Executive Branch also promulgated Law 24028 on Work Accidents and by Decree 2726 established implementing regulations in respect of the unemployment benefit established under the Labour Law.

135. The Work Accidents Law revokes certain provisions of Law 9688 and amendments thereto, primarily in order to reduce impairment caused to undertakings under the earlier legislation and ensure that insurance companies would not refuse to cover such claims, since under the earlier legislation many of them did not cover claims in respect of work-incurred accidents and illnesses.

III.6 Pending legislation

136. The Foreign Trade Law mentioned in Document C/RM/G/18, page 3, is now before Congress.

137. As regards adoption of the Anti-Dumping Code, this has already been approved by the Senate and must now go before the Chamber of Deputies (see page 15 of the above-mentioned document).

138. The Bill amending the Organic Charter of the BCRA is at present before Congress, as already mentioned in the Argentine document (see page 20).

139. As regards the Ports Law and the Fisheries Law, the relevant bills are currently before Congress, having already been approved by the Senate (see page 19 of the document mentioned).

140. The bill on Pharmaceutical Patents is still before Congress.

III.7 Future deregulation measures

(a) Reform of the social security system

141. Within the framework of the structural reform programme for the Argentine economy, the Ministry of Health and Social Action is to draw up a bill reforming the social security system.

142. This reform programme is designed to remedy the negative aspects inherent in the present system, such as chronic financial disequilibrium, as well as inequity, inefficiency and indebtedness of the system.

143. The scheme currently under study would afford the basic premises of universality, solidarity, equity, automaticity, liberty, efficiency, transparency and credibility.

144. As at present, the proposed scheme would be financed by contributions from wages, as well as contributions from self-employed workers, with a differentiation between contributions in this latter case similar in amount to that applied to dependent personnel.

145. Employer contributions will serve to finance a Basic Minimum Benefit (PMB) ensuring an equal amount for each retiree, this sub-system being administered by the national government.

146. The PMB system will be one of simple distribution, the benefit being paid on the basis of the amount collected to any persons who fulfil the legal requirements as to years of contribution and minimum age.

147. Accordingly, under the PMB system, each person participating in the Social Security System will be assured of an equal minimum benefit without any differentiation.

148. Worker contributions will be channelled into a capitalization régime, guaranteeing a social security benefit corresponding to the amounts contributed by each participant, in particular during the latter's active working life.

149. The funds concerned will be administered by companies set up exclusively for that purpose which may not incorporate them in their own assets but must act solely as trustees.

150. Each participant will be free to choose the company with which his contributions are to be deposited, with the possibility of transferring from one to any other which he considers more suitable.

151. Once the requirements for obtaining retirement benefit are met, the retiree will have a number of options for drawing on the funds accumulated, within a framework affording adequate guarantees that the person concerned, and his dependants, will receive the relevant payment to the end of his days.

152. The government will be responsible for collecting contributions from wage-earners and self-employed workers. It will establish rules and set up a control mechanism to guarantee protection of these funds and their efficient placement in the investment basket available to the trustees.

153. In the early years following the introduction of the new system, finance will still be needed for the payment of benefits under the old system, whose resources will be limited. The amount of these financial requirements have not yet been precisely determined, but according to preliminary estimates could be of the order of US\$500 million each year.

154. The draft legislation which is expected to be put before Congress shortly is totally compatible with the economic programme in that it is designed:

- (a) To eliminate chronic imbalances and indebtedness of the National Social Security System (SNPS).
- (b) To limit the financing needs of the SNPS by drawing on fiscal resources.

- (c) To generate incentives to individual savings in capitalization accounts.
- (d) To reduce SNPS evasion.
- (e) To improve the overall efficiency of the SNPS without any impairment of social and equity objectives.

(b) Deregulation of social welfare

155. In the framework of rationalizing health-care benefits, a reform project now under way for the existing system of welfare and assistance benefits for the non-active sector presents the following characteristics:

- Each participant will have the right to choose a benefit-providing institution, whether an existing welfare institution or an official pre-paid health-care scheme. A change of institution may be made once a year, and an institution may not reject any participant, even if the latter is known to be a high-risk case because of age or pre-existing physical condition. Likewise, there will be no waiting period for obtaining coverage, and existing welfare institutions will be considered as compulsory benefit-providing agencies under the new system.
- There will be legally established universal minimum coverage, at a standard cost to all participants of US\$22 per month and per person, without any distinction.
- Existing monthly contributions will remain unchanged and their total amount will be channelled into a common fund.

(c) Other

156. Deregulation of trade and industry is to be carried forward between March and June 1992, and the following possibilities are under study:

- Elimination of the requirement to use the services of a customs clearance agent in import and export transactions.
- Elimination of the 1.5 per cent charge on agricultural exports for the benefit of the INTA (see page 13 of the document under reference).
- Easing of the requirement to use fiscal deposits for import goods.
- Elimination of trade union regulations for ports, encouraging competition between services providers and allowing free port tariffs.
- Amendment of the Codex Alimentarius to facilitate the import of foodstuffs from certified origins.

- Full or partial elimination of the special customs régime of Tierra del Fuego, and likewise of the régime applied to exports through Patagonian ports.
- Elimination of all prior interventions in respect of exports and imports.

III.8 Progress in regional integration

157. On 29 October 1991 ratification instruments were deposited by each of the member countries of the Southern Common Market (MERCOSUR) at Asunción (Republic of Paraguay), and consequently the Treaty establishing a common market between Argentina, Brazil, Paraguay and Uruguay (MERCOSUR) entered into force on 29 November 1991 (see the document under reference, page 9).

158. During the second half of last year the following criteria were agreed for establishing the future common external tariff:

- (a) The rules for determining the common external tariff must be consistent with Article 5(c) of the Treaty of Asunción as regards fostering the external competitiveness of the member States.
- (b) As a general rule, the common external tariff must not discriminate in favour of any particular sectors.

159. In addition, the rules of procedure of the Common Market Group were approved and the framework to regulate sectoral complementarity agreements has been defined.

160. The Technical Sub-Group on Labour Agreements has been set up, and the Ministers of Education, Justice and Labour of the various countries have held regular meetings. There have also been specialized meetings, the first of which was devoted to tourism.

161. Within the legal framework established by the Treaty of Asunción and in the context of the various quadripartite meetings held by the various bodies within that legal framework, it has been agreed that the economic policies of the member countries should pursue common objectives designed to ensure economic stability through a monetary and fiscal austerity policy, broader opening of the economy for more competitive integration of the regional economy in the world context, and greater modernization of the various national economies concerned through deregulation and privatization.

162. Progress made in the last quarter of 1991 in regard to the institutional functioning of MERCOSUR has included the adoption of a mechanism for dispute settlement and for the operation of certificates of origin.

163. One should also underline that on 1 January 1992 across-the-board tariff cuts were implemented as scheduled, together with the proportional reduction of lists of exceptions to the general treatment which had been presented by each member country.

STATISTICAL ANNEX

(a) Foreign trade (in \$ million)

<u>Month 1991</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
January	674	492	182
February	807	400	407
March	867	407	460
April	1,000	613	387
May	1,227	517	710
June	1,141	603	538
July	1,301	744	557
August	1,074	744	330
September	1,078	722	356
October	935	726	209
November	405	222	183
Total (11 months)	10,509	6,190*	4,319

(b) Inflation indices

Retail prices 1991 (base year 1988 = 100)

<u>Month</u>	<u>General level</u>	<u>Monthly variation</u>	<u>Cumulative</u>
January	141,703.9	7.7%	7.7%
February	179,950.3	27.0%	36.8%
March	199,821.0	11.0%	51.9%
April	210,832.2	5.5%	60.2%
May	216,745.0	2.8%	64.7%
June	223,515.6	3.1%	69.9%
July	229,306.9	2.6%	74.3%
August	232,289.9	1.3%	76.5%
September	236,393.2	1.8%	79.7%
October	239,586.4	1.4%	82.1%
November	240,518.2	0.4%	82.8%
December	242,079.7	0.6%	84.1%

* For the months September to December the import figures do not include operations of the Federal Capital Customs.

The data for September last are estimates by the National Statistical and Census Institute.

According to BCRA estimates, total exports were around \$11,500 million and imports around \$8,100 million.

Wholesale prices 1991 (base year 1981 = 100)

<u>Month</u>	<u>General level</u>	<u>Monthly variation</u>	<u>Cumulative</u>
January	1,452,701,941.5	10.1%	10.1%
February	2,003,070,756.7	37.9%	51.8%
March	2,012,077,454.7	0.4%	52.5%
April	2,039,989,108.0	1.4%	54.6%
May	2,061,068,155.7	1.0%	56.2%
June	2,083,193,911.9	1.1%	57.9%
July	2,090,567,867.0	0.4%	58.5%
August	2,082,487,515.9	-0.4%	57.8%
September	2,091,328,561.7	0.4%	58.5%
October	2,106,595,513.5	0.7%	59.7%
November	2,088,601,908.2	-0.9%	58.3%
December	2,067,622,439.9	-1.0%	56.7%

(c) Interest rates 1991 (monthly %)

	<u>Lending rate</u>		<u>Rate paid on deposits</u>	
	Nominal	Real	Nominal	Real
January	24.70	13.26	10.70	2.79
February	25.20	-9.21	15.10	-9.35
March	13.20	12.75	8.50	-2.25
April	4.10	2.97	1.40	-3.89
May	5.50	4.35	1.60	-1.17
June	4.00	2.87	1.40	-1.65
July	4.20	3.78	1.50	-1.07
August	4.10	4.52	1.00	-0.30
September	4.70	4.28	1.10	-0.69
October	4.80	3.97	1.20	-0.20
November	4.40	5.24	1.20	0.80

The nominal lending rate is the rate applied in the institutionalized circuit for front-line undertakings.

For calculating real lending, account is taken of the general level of the wholesale price index, and for real deposits the index of consumer prices.

(d) Employment indicators

The unemployment index reached 5.3 per cent of the labour force in October last, the lowest level recorded since October 1987, according to sources in the National Statistical and Census Institute.

The ongoing household survey which measures the rate of activity in the Federal Capital and Greater Buenos Aires reflected unemployment and under-employment indices of 5.3 per cent and 7 per cent respectively, indicating that the economically active population in the area covers total of 4,616,000 persons. On this basis, there are 243,000 unemployed persons and 321,000 under-employed.

The Ministry of the Economy has stated that labour demand has increased sharply since 1989. Indeed, if one takes that year as base 100, between April and November 1991 labour demand increased to 194.7 and in November to 268.3. Still on the same base, industrial labour demand was at the level of 292.6 between April and November and 452.5 in November 1991.

Mention has been made in various press sources of the import of specialized labour to cover growing demand resulting from reactivation of the economy, although there has been no further clarification. The Ministry of External Relations has made a specific offer in this regard for immigration of a quota from the countries of the ex-USSR, provided this can be financed internationally as regards installation and working capital costs.