

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments
Restrictions

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CONSULTATION UNDER ARTICLE XVIII:12(b) WITH ARGENTINA

Statement Submitted by Argentina under the
Simplified Procedures for Consultation¹

Concise statement presented by the Argentine Republic under the simplified procedures approved by the Council of Representatives on 19 December 1972 (L/3772/Rev.1).

(a) Evolution of the balance of payments in the years 1975, 1976 and the first six months of 1977

During the years 1975 and 1976 and the first six months of 1977, current transactions in the balance of payments yielded a surplus of \$310 million, mainly as the result of a surplus of \$962 million in the Goods account, while under the heading Services and Unilateral Transfers there was a net deficit of \$652 million, as is customary for operations of this kind. Non-compensatory capital movements showed a negative balance of \$464 million so that autonomous economic transactions as a whole were in deficit to the extent of approximately \$157 million.

This result was attributable to the substantial deterioration in external accounts in 1975, in which year current transactions yielded a deficit of \$1,285 million and international reserves declined by \$791 million.

This acute crisis in the balance of payments was largely due to the policies applied in Argentina. One fundamental factor was over-evaluation of the peso which, by encouraging imports and inhibiting exports, contributed to a situation of disequilibrium in our external trade. Another important factor was the policy on interest rates which, being negative in real terms, encouraged savers to convert their domestic assets into foreign currencies, with a consequent outflow of capital.

¹L/3772/Rev.1

As a result, a major objective under the economic programme initiated as from the second quarter of 1976 was to overcome problems in the external sector. The policies adopted brought a substantial recovery in the balance of payments. The current account improved considerably, because of the fact that realistic par values were maintained throughout the process leading to unification of exchange rates and progressive liberalization of the market, thus reactivating exports and discouraging unnecessary imports. In 1976 exports totalled \$3,916 million and imports \$3,033 million, representing an increase by 32 per cent in the former and a contraction by 23 per cent in the latter as compared with 1975. As a result, the trade balance yielded a surplus of \$884 million as against a deficit of \$985 million in the preceding year. Taking this together with the balance of services, the current account in the balance of payments moved from a deficit of \$1,285 million in 1975 to a surplus of \$650 million in 1976.

There were significant changes in capital movements. Settlement of debts through swap transactions - one of the central policy objectives in the external sector - continued at the rate planned, and Central Bank obligations declined from \$1,261 million at the end of March to \$544 million at the end of December. Capital movements showed a net increase of \$568 million, mainly as a result of loans received by the Central Bank from the IMF and foreign private banks. This trend was reflected in an increase by \$1,192 million in international reserves.

In the first six months of 1977 the surplus on current account - \$945 million - exceeded that for the entire preceding year, reflecting a firmer situation in the external sector, and making it possible to cancel commitments representing a net amount of \$212 million - \$139 million in non-compensatory capital and \$73 million of a compensatory character - while international reserves increased by \$732 million to a total of \$2,544 million at the end of June, sufficient to cover approximately eight months of imports on the basis of the monthly average value for the current year.

A summary table showing the balance of payments for the period under reference may be found in Annex I.

(b) Elimination of restrictive measures on imports adopted by the Central Bank, and measures remaining in force

Various exchange measures restricting imports have gradually been revoked, thus facilitating trade operations in a context of liberalization resulting from the elimination of limitations which obviously had been hampering the normal development of import trade, since these limitations were basically a consequence of our balance-of-payments situation.

In brief, the various provisions that have gradually been revoked are those described below:

Exchange insurance

This was initially compulsory (Circular RC 535 of 10 June 1975) and had to be taken out on the basis of 100 per cent of the f.o.b. value of the goods, in the form of a corresponding deposit in pesos which was retained until the moment of payment.

On 5 January 1976 (Circular RC 585) the measure was made optional, the relevant amount was reduced to 50 per cent as from 19 January 1976 (Circular RC 594) and the requirement was ultimately revoked on 8 March 1976 (Circular RC 622).

Prior deposit on imports

A great many goods in general were subject to this requirement, comprising a deposit in pesos equivalent to 40 per cent of the c.i.f. value of the goods for a period of 180 days.

This measure was revoked as from 22 November 1976 (Circular RC 664).

Financing of goods in general

The requirement of total payment f.o.b. not less than 180 days after shipment was modified on various occasions and as from 7 May 1976 (Circular RC 631) payment in cash of a certain percentage became possible (15 per cent - 6 September 1976 - Circular RC 650; 30 per cent - 1 November 1976 - Circular RC 660; 40 per cent - 30 December 1976 - Circular RC 671; 50 per cent - 21 January 1977 - Circular RC 678; 75 per cent in transactions of an amount exceeding \$25,000 and this being in cash, reaching 100 per cent as from 17 March 1977 - Circular RC 685), although even earlier full payment in cash was possible for certain transactions, for example, LAFTA transactions (Telephone Notice No. 3641 of 6 September 1976); this requirement is now no longer applicable.

Régime for payment of capital goods

This régime, as laid down by Circular RC 524 of 15 April 1975 and RC 610 of 12 February 1976 comprising mandatory provisions, was substantially amended as from 15 July 1976 (Circular RC 641) and again as from 6 April 1977 (Circular RC 688), when full payment in cash was made possible, whatever the amount involved in the transaction, where the interested parties have their own resources for this purpose (Circular RC 701).

Foreign trade investment bond

As from 4 July 1977 (Telephone Notice No. 3914) the system concerning this bond was suspended; under the system, the bond had to be established with contributions from importers in the form of charges in pesos in adjustable accounts equivalent to 100 per cent of the f.o.b. value, and these had to be retained until the goods had been paid for.

This system, which at the outset was compulsory (Circular RC 652 of 10 May 1976), covered purchases of goods in general and to some extent replaced the provisions regarding compulsory exchange insurance for imports which were no longer in effect.

Subsequently (Circular RC 671 of 30 December 1976) the charges became optional for up to 50 per cent of the total f.o.b. value. This limit was subsequently raised to 75 per cent (Circular RC 678 of 27 January 1977) and ultimately, before being revoked as already mentioned, it was made optional for up to 100 per cent of the total f.o.b. value (Circular RC 685 of 16 March 1977). The system of foreign trade investment bonds had already ceased to be compulsory for certain operations (for example, LAFTA operations - Telephone Notice No. 3641 of 6 September 1976).

Payment currency

As from 27 January 1977 (Circular RC 678) the provisions requiring payment of imports from certain origins (Circular RC 470) in the currency of the country concerned or in dollars were revoked, so that now payment can be made in any freely convertible currency as agreed between purchasers and sellers.

Consultations at Central Bank of the Argentine Republic for payment of imports

Under this requirement, which has now been withdrawn, consultations had to be held for the payment of imports effected either without bank intervention or with such intervention where the due date had been exceeded by five days (Circular RC 678 of 27 January 1977).

Imports of certain animals

On 13 July 1976 (Telephone Notice No. 3594), the provisions of Telephone Notice No. 3126 of 2 January 1975 were revoked; under the latter, the payments procedure had been suspended for the import of certain animals.

Goods under import suspension

In view of the improvement in Argentina's reserves and balance of payments, and within the context of the general economic programme, various measures were adopted from June 1976 onwards (Resolutions ME292/76, 507/77, 754/77, 762/77, 858/77 and 981/77 and Decree 467/77) providing for the revocation of the import suspensions imposed by Decrees 1966/66, 2118/71, 2867/72, 7250/72 and 504/73 and Resolution ME 10/75, referring in general terms to goods deemed non-essential, of a luxury character, or domestically produced in adequate quantities.

As a result, out of 708 headings which had been subject to import suspension under the above-mentioned provisions (see document BOP/153/Add.1), at present only forty-seven tariff headings are under import suspension, corresponding to various types of combustion engines and certain motor vehicles, chassis with engine and motor-vehicle bodies, as listed in Annex II.

ANNEX I

Balance of Payments

(\$ million)

Item	1975	1976	First six months 1977
I. <u>Current transactions</u>	- 1,284.6	650.1	944.7
1. <u>Goods</u>	- 985.2	883.6	1,063.5
(a) Exports	2,961.3	3,916.1	2,869.5
(b) Imports	- 3,946.5	- 3,032.5	- 1,806.0
2. <u>Services and unilateral transfers</u>	- 299.4	- 233.5	- 118.8
II. <u>Non-compensatory capital transactions</u>	191.1	- 516.4	- 138.7
III. <u>Errors and omissions</u>	- 1.0	- 9.0	7.1
IV. <u>International payments</u>	- 1,094.5	124.7	813.1
1. <u>Variation in reserves</u>	- 791.1	1,192.4	731.7
2. <u>Compensatory movements</u>	- 296.9	- 1,084.1	73.3
(a) Central Bank	- 333.9	- 848.2	102.9
(b) Government	37.0	- 235.9	- 29.6
3. <u>Valuation adjustments</u>	- 6.3	16.4	8.1

ANNEX II

Products Subject to Import Suspension as at 20 October 1977

	Entire heading	
84.06.01.01	84	06
84.06.02.01	84	06
84.06.02.06	84	06
84.06.02.11	84	06
84.06.02.12	84	06
84.06.02.21	84	06
84.06.02.31	84	06
84.06.02.89	84	06
84.06.02.90	84	06
87.02.01.01	87	02
87.02.01.02	87	02
87.02.01.03	87	02
87.02.01.04	87	02
87.02.02.01	87	02
87.02.02.02	87	02
87.02.02.03	87	02
87.02.02.04	87	02
87.02.03.01	87	02
87.02.03.02	87	02
87.02.03.03	87	02
87.02.03.04	87	02
87.02.03.05	87	02
87.02.03.06	87	02
87.02.03.07	87	02
87.02.03.99	87	02
87.03.00.99	87	03
87.04.01.01	87	04
87.04.01.02	87	04
87.04.01.03	87	04
87.04.01.04	87	04
87.04.01.20	87	04
87.04.02.01	87	04
87.04.02.02	87	04
87.04.02.03	87	04
87.04.02.10	87	04
87.04.02.11	87	04
87.04.02.12	87	04
87.04.02.13	87	04
87.04.02.14	87	04
87.04.02.15	87	04
87.04.02.20	87	04
87.04.02.99	87	04
87.05.00.01	87	05
87.05.00.02	87	05
87.05.00.99	87	05