

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

ERS/83/240

CONFIDENTIAL

November 8, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Argentina - Changes in the Exchange and Trade System

There is attached for the information of the Executive Directors a paper on recent changes in Argentina's exchange and trade system.

Att: (1)

INTERNATIONAL MONETARY FUND

Argentina--Changes in the Exchange and Trade System

Prepared by the Western Hemisphere and the Exchange
and Trade Relations Departments

(In consultation with the Legal Department)

Approved by E. Wiesner and Manuel Guitián

November 7, 1983

In several communications (translations attached) the Argentine authorities have informed the Fund of a number of recent changes in Argentina's exchange and trade system. The recent measures include an increase in the scope of the requirement of prior Central Bank approval for sales of foreign exchange, the suspension of sales of exchange for foreign travel, the reintroduction of a system of exchange allocations for imports, and increases in the minimum foreign financing terms for imports. The authorities also have rescinded an export rebate that was introduced in July. These measures are described below.

1. Central Bank approval for foreign exchange sales

On September 30, 1983, all sales of foreign exchange were made subject to the prior approval of the Central Bank of Argentina. The main transactions affected by this new provision were payments of interest on private sector debt and payments for private sector imports that had met the established minimum foreign financing terms. Until September 30, these transactions had been given preferred status in that they could be effected automatically by the commercial banks and other authorized exchange dealers, while all public sector transactions and most other private sector transactions required prior Central Bank approval and were subject to exchange rationing and possible arrearages.

On October 24, however, the Central Bank issued regulations re-establishing the authority of banks and exchange dealers to effect payments automatically with respect to private sector imports that had met the minimum financing terms; at the same time, the minimum financing terms were raised (see section 4 below). All other payments, including interest payments, remained subject to prior approval by the Central Bank, and at present foreign exchange is not being provided for all bona fide current payments.

All unused foreign exchange authorizations issued by the Central Bank before September 30, 1983, have been canceled. This measure primarily affects the public sector since, under the provisions in effect before September 30, all authorizations for sales of exchange to the private sector expired automatically if not utilized within 10 working days.

2. Suspension of sales of exchange for foreign travel

From September 30, 1983, all sales of foreign exchange at the official rate to meet expenses of travel abroad have been suspended. The Argentine authorities have informed the staff that applications for sales of exchange at the official rate will continue to be considered in cases of evident hardship, such as travel abroad for medical treatment.

On August 6, 1982, Argentina had introduced a system of exchange allowances for foreign travel. Under this system, sales of exchange for foreign travel were permitted automatically up to a limit of US\$50 a day, with a maximum of US\$500 a year, for travel to nonneighboring countries in South America and up to a limit of US\$100 a day, with a maximum of US\$2,000 a year, for travel outside of South America. No foreign exchange was, however, made available at the official rate for travel to neighboring countries in view of the administrative difficulty of preventing disguised capital flight through this channel.

In the context of the review of the exchange and trade system (EBS/83/143, 7/8/83), which was conducted pursuant to paragraph 4(f) of the stand-by arrangement for Argentina, the Argentine authorities expressed their intention to provide, by August 15, 1983, for the sale of exchange at the official rate for travel to nonneighboring countries in all bona fide cases. Under the decision concluding that review (EBM/83/120, 8/15/83), such provision of foreign exchange was made a performance criterion governing all purchases after August 12, 1983. With regard to the provision of exchange at the official rate for travel to neighboring countries, the staff had acknowledged that this could be reconciled with Argentina's system of capital controls only at great administrative cost; understandings were not reached on a timetable for the elimination of this discriminatory practice, and the practice was not approved by the Fund.

On August 15, 1983, the Central Bank of Argentina issued regulations providing for the sale of foreign exchange at the official rate in excess of established limits in all duly justified cases for travel to nonneighboring countries, family and student remittances, and medical treatment. On August 19, the limits up to which foreign exchange could be provided automatically were reduced to US\$300 a year for travel to nonneighboring countries in South America and to US\$1,500 a year for travel outside South America; the per diem limits were not changed and the bona fide provisions remained in force. These measures were superseded by the general suspension of sales of exchange for foreign travel which took effect from September 30, 1983.

3. The granting of import licenses

In October 1982 the Argentine authorities had terminated the previous system of exchange allocations for imports and had re-established automatic licensing for most imports other than those classified as nonessential. Goods on the nonessential list were effectively banned,

but the coverage of that list was reduced progressively from about 15 percent of 1981 imports in October 1982 to about 5 percent of 1981 imports in mid-1983.

On September 30, 1983, the Ministry of Economy of Argentina instructed the Secretariat of Commerce to suspend the approval of private sector import licenses (Sworn Declarations of Need to Import) until further notice. On October 10, 1983, the Ministry of Economy issued regulations providing that applications for import licenses were to be entertained only for a few, very limited, categories of goods. These regulations were superseded by Resolution SC361/83 of October 20, 1983 which re-established a system of exchange allocations for imports. Under this system, each importer will be provided an exchange allocation, by customs tariff heading, fixed as a percentage of the amount he imported under each customs tariff heading during a base period. The exchange allocation will apply to the f.o.b. value of imports, and import licenses will generally not be granted for amounts in excess of the approved allocations. The Undersecretariat of Foreign Trade and Regional Integration is, however, empowered to authorize imports beyond these limits in exceptional circumstances.

The exchange allocation for each importer has been set equal to 61.6 percent of the amount imported in the 12 months through September 30, 1983. Licenses granted cannot allocation can be used in the period through November 30, 1983, or 14 percent through December 31, 1983. Import licenses will, however, be granted automatically for certain imports not subject to this system of exchange allocation: (a) goods for which no use of foreign exchange is required, (b) non-commercial shipments to private parties, (c) goods covered by certain special import regimes, (d) capital goods replacement parts for final users, and (e) fuels. Unutilized balances on import licenses issued before September 30 have been canceled; however, new licenses will be granted, outside the exchange allocation system, for goods that had been shipped prior to October 10, 1983.

Also from October 20, 1983, the effective ban on imports of goods on the nonessential list was extended to imports of these goods from member countries of the Latin American Integration Association and the Central American Common Market or from Cuba, Haiti, Panama, or the Dominican Republic. Imports from these countries were previously exempt from the "requirement of prior study" through which imports of nonessential goods are effectively banned. The regulation of October 20, 1983, also provided that, henceforth, import licenses would not be issued for certain capital goods produced in Argentina.

The re-establishment of a system of exchange allocations for imports involves the introduction of an exchange restriction subject to Article VIII, Section 2(a) and a major intensification of import restrictions for balance of payments reasons. These measures are inconsistent both with the authorities' commitment not to impose or intensify restrictions on payments and transfers for current international transactions,

which is a performance criterion under paragraph 4(g)(i) of the stand-by arrangement, and with the authorities' commitment not to impose or intensify import restrictions for balance of payments reasons, which is a performance criterion under paragraph 4(g)(iv) of the stand-by arrangement.

4. Minimum financing terms for imports

When the present stand-by arrangement for Argentina was approved on January 24, 1983, Argentina had in place a system under which the minimum foreign financing requirement was (a) zero for imports from member countries of the Latin American Integration Association (LAIA) or the Central American Common Market (CACM) or from Cuba, Haiti, Panama, and the Dominican Republic; (b) 90 days for imports from other countries in South America; and (c) 180 days for imports originating in countries outside South America. The Argentine authorities had, however, expressed their intention to reduce the minimum financing terms for imports from outside South America to 150 days by March 30, 1983, to 120 days by June 30, 1983, and to 90 days by September 30, 1983, and to eliminate the minimum financing requirement entirely for all imports by December 31, 1983. That schedule for the phased elimination of the minimum financing terms is a performance criterion under paragraph 4(d) of the stand-by arrangement.

The first two stages of the planned reduction in the minimum financing terms, i.e., to 150 and, then, to 120 days, were implemented somewhat ahead of schedule, but the planned further reduction to 90 days on September 30 did not take place. On October 10, the minimum financing terms for goods from members of LAIA and the CACM and from Cuba, Haiti, Panama, and the Dominican Republic were raised from zero to 120 days. On October 24, new regulations were issued that established minimum financing terms according to the following scale: 90 days for imports originating in member countries of the LAIA and effected under the LAIA agreement; 120 days for other imports from, and originating in, the member countries of LAIA, the CACM, or Cuba, Haiti, Panama, and the Dominican Republic; and 180 days for all other imports. In cases where the goods had been shipped, or a documentary credit opened, prior to October 21, 1983, the minimum financing terms in effect at the time the good was shipped or the credit opened continue to apply.

5. Export rebate for passenger vehicles

On July 12, 1983, the Ministry of Economy had established a 23 percent rebate for exports of passenger vehicles other than those intended for public transportation. The staff was informed of this measure during a visit to Argentina in late August to monitor performance under the stand-by arrangement. The Argentine system of export rebates is operated through the exchange system and constitutes a multiple currency practice. The introduction of this rebate for passenger vehicles was not in accord with the authorities' intention, which is a performance criterion under paragraph 4(g)(ii) of the stand-by arrangement, to continue to operate the system of export rebates only within the existing range of rates. The decree establishing this export rebate for passenger vehicles was revoked on September 21, 1983.

6. Conclusion

The new measures described in Sections 1, 2, 3, and 4 involve the introduction or intensification of exchange restrictions subject to Article VIII, Section 2(a) and are not in accord with the authorities' commitment, which is a performance criterion under paragraph 4(g)(i) of the stand-by arrangement, not to impose or intensify restrictions on payments and transfers for current international transactions. Also, measures described in Sections 2, 3, 4, and 5 are, as noted above, not in accord with other performance criteria under the stand-by arrangement.

The staff is in contact with the Argentine authorities concerning these measures and other developments under Argentina's economic program. No action by the Executive Board is being proposed at this time.

Attachments

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

OCTOBER 3, 1983

ATTENTION: MR. MARIO TELJERO, ALTERNATE EXECUTIVE DIRECTOR

BELOW WE RETRANSMIT TEXT COMMUNICATION "A" 391 OF 9/30/83.

This is to inform you and, through you, other interested parties that it has been decided to adopt the following provisions as from October 3, 1983:

1. Sales of exchange (foreign currency, notes, travelers checks, etc.), whose purpose is to meet expenses of travel abroad, are suspended.
2. Sales of exchange for any other reason by financial establishments authorized to deal in exchange and exchange houses must have the prior authorization of this bank through presentation of applications on the appropriate forms.
3. All applications for sales of exchange to customers--public and private sectors--authorized by this bank through 9/30/83, on forms 4008 A, 4008 B, 4008 C, 4008 D, 4008 G, and 4008 H, on memoranda invested with the character of authorization, or on any other form in which they might have been granted, and which are pending utilization, must be presented again for revalidation.

REGARDS

JORGE E. MAGISTRELLI

FOREIGN AND EXCHANGE MANAGER

Received in Cable Room: October 3, 1983

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

OCTOBER 11, 1983

ATTENTION: MR. CHRISTIAN BRACHET

WE ARE RETRANSMITTING BELOW RESOLUTION 361 OF THE MINISTRY OF ECONOMY OF OCTOBER 10, 1983.

Having regard to the exchange measures adopted in Communication "A" 391 of the Central Bank of the Argentine Republic and the instructions received from the Ministry of Economy, and

Whereas the trade-related mechanisms which will ensure compliance with the exchange measures set forth in Communication "A" 391 of the Central Bank of the Argentine Republic must be instituted;

Whereas for that purpose the authorization of Sworn Declarations of Need to Import should be harmonized with said exchange measures to ensure achievement of the aims implicit in them;

Whereas this Resolution is issued pursuant to the powers conferred by Resolution M.E. No. 1150/77:

Consequently,

The Secretary of Commerce hereby resolves:

Art. 1. The acceptance of Sworn Declarations of Need to Import shall continue to be suspended, as ordered on September 30, 1983.

Art. 2. Article 1 shall not apply to Sworn Declarations of Need to Import which fall within the following categories:

a. Goods covered by Tariff Nomenclature and Export Duty headings classified NP--not produced--with zero import duties;

b. Goods whose import does not give rise to foreign exchange drafts and is declared under 04 provided for in Art. 7 of SECYNEI Resolution No. 1320/79, in which case the description of the goods should be followed by the words "no charge";

c. Goods imported as baggage;

d. Noncommercial shipments to private parties.

Art. 3. The balances of Certificates of Sworn Declaration of Need to Import issued through September 29, 1983 which have not been wholly or partially used by October 10, 1983 inclusive shall be void.

Art. 4. The holders of a certificate voided pursuant to Art. 3 who had goods in transit to the country on October 10, 1983 covered by the unused balance which has been voided may request, for an amount up to that of such balance, a new Sworn Declaration of Need to Import, accompanied by supporting documents (bill of lading, invoices, order slip, acceptance of purchase, etc.) and the original of the Certificate(s) voided. These should be presented to the Advisory Section on Sworn Declarations of Need to Import. Totally or partially unused letters of credit, to which were applied Certificates of Sworn Declarations of Need to Import valid at the time such letters were opened, may not be extended, broadened, or changed in application of such Certificates.

Art. 5. Article 2 of Resolution S.C. No. 33 of July 28, 1982 and its amendments in Article 2 of Resolution S.C. No. 163 of June 28, 1983 and Art. 5 of Resolution S.C. No. 208 of July 25, 1983 are hereby repealed.

Art. 6. This Resolution shall enter into force on the date it bears.

Art. 7. It shall be declared, published and transmitted to the National Directorate of Official Records for recording.

REGARDS

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Received in Cable Room: October 11, 1983

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

OCTOBER 11, 1983

ATTENTION: MR. CHRISTIAN BRACHET

WE ARE TRANSMITTING BELOW OUR COMMUNICATION "A" OF OCTOBER 11, 1983

Communication "A" 393

Re: External Collections and Payments Circular - COPEX -1-43

This is to inform you, and through you the relevant sectors, of the changes made in the provisions issued in Communication "A" 128 of May 24, 1982 item 2(2.1) and item 3.

Payment of the f.o.b. or c.i.f. price of products imported from and originating in countries belonging to the Latin American Integration Association (LAIA), whether or not handled through it, and those from or originating in countries comprising the Central American Common Market or Cuba, Haiti, Panama, and the Dominican Republic, including any applicable interest on financing, can be made only at terms of not less than 120 days from the date of shipment.

These provisions shall apply to shipments made as from this date, with the regulations cancelled by this circular remaining in force for goods covered by irrevocable documentary credits opened by October 10, 1983.

Consular fees may be paid in accordance with the regulations issued in Communications "A" 385 of September 13, 1983, COPEX -1-41.

REGARDS

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Received in Cable Room: October 11, 1983

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC

TO: INTERNATIONAL MONETARY FUND

October 11, 1983

ATTENTION: MARIO TELJEIRO, ALTERNATE EXECUTIVE DIRECTOR

I RETRANSMIT THE 9/21/83 RESOLUTION OF THE MINISTER OF ECONOMY WHICH REVOKES THE 23 PERCENT REBATE.

In view of Resolution M.E. No. 766 of July 12, 1983 and

Whereas:

Said Resolution established a temporary rebate of twenty-three percent (23 percent) on exports of goods covered by item 87.02.01.00 of the Tariff Nomenclature and Export Duties (corresponding to passenger vehicles other than those intended for public transportation:

The difficult situation of the fiscal accounts makes it necessary to minimize outlays;

This Resolution is issued by virtue of the powers conferred by Laws 22415, 22520, and 22792, and Decree No. 751 of March 8, 1974;

Therefore, the Minister of Economy resolves:

Article 1. Resolution M.E. No. 766 of July 12, 1983 is hereby revoked.

Article 2. The provisions of Article 1 shall take effect on the date of this Resolution.

Article 3. Let it be communicated, published, transmitted to the National Directorate of Official Records, and filed.

Resolution No. 1074
Dr. Jorge Wehbe
Minister of Economy

REGARDS

RICARDO LOPEZ MURPHY
NATIONAL DIRECTOR
MINISTRY OF ECONOMY

Received in Cable Room: October 11, 1983

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

OCTOBER 24, 1983

ATTENTION: MR. MARIO TELJEIRO, ALTERNATE EXECUTIVE DIRECTOR

COMMUNICATION "A" 397

REF: EXTERNAL COLLECTIONS AND PAYMENTS CIRCULAR -
COPEX - 1 - 45

This is to inform you of the rules to be observed in regard to payments for imports, as contained in Chapter II, Item 1 (1.3.1) of Communication "A" 12 of 3/2/81 COPEX - 1.

1. Payment of f.o.b. or c. and f. prices, including any applicable interest on financing, may be made only at terms of no less than 180 days from the date of shipment.

Payment for products imported from and originating in the member countries of the Latin American Integration Association (LAIA), and negotiated under the LAIA agreement, must be made at terms of not less than 90 days.

2. Payment for products originating in and imported from the member countries of the Latin American Integration Association (LAIA) and not included in the negotiated list, from member countries of the Central American Common Market and from Cuba, the Dominican Republic, Haiti, or Panama, including any applicable interest on financing, may be made only at terms of not less than 120 days from the date of shipment.

For operations covered by valid documentary credits opened by 10/21/83 or goods shipped by that date, the terms shall be as negotiated, subject to the provisions in force at that time.

The provisions of Item 2 (2.2) (1.3.2), (2.3) and (2.4) of Communication "A" 128 - COPEX - 1 - 20 of 5/24/82 shall remain in force.

Payment for transactions agreed as from this date in conformity with the terms set forth in the present communication may, upon maturity, be made direct by the authorized entities, subject to the applicable general regulations. Transfers in respect of consular fees shall be made in accordance with the provisions of Communication "A" 385 of 9/13/83 - COPEX - 1 - 41.

Received in Cable Room October 24, 1983

BUEENOS AIRES, OCTOBER 27, 1983

TO: MR. MARIO TELJEIRO
ALTERNATE EXECUTIVE DIRECTOR OF IMF
ROOM 11-320

With reference to your telephoned request, I am retransmitting below Resolution No. 382 of the Secretariat of Commerce of October 20, 1983.

Having regard to S.C. [Secretariat of Commerce] Resolution No. 361/83, and

Whereas it is necessary to implement the appropriate import mechanisms, to ensure compliance with the recent measures adopted with respect to foreign exchange and transfers of funds and securities from and to foreign countries.

Whereas this Resolution is issued pursuant to the powers conferred by M.E. [Ministry of Economy] Resolution No. 1150/77.

Therefore,

The Secretary of Commerce resolves:

Article 1. S.C. Resolution No. 361/83 is hereby revoked.

Article 2. Sworn Declarations of Need to Import shall be issued automatically and without reference to limits on the total declared values in the following cases:

(a) Goods whose import does not give rise to a transfer of foreign exchange and is declared under code 04, provided for in Article 7 of SECYNEI Resolution No. 1320/79, in which case the description of the goods should be followed by the words "without use of foreign exchange."

(b) Noncommercial shipments to private parties.

(c) The special regime referred to in Decree No. 732/72.

(d) Replacements for capital goods for immediate users. Importers claiming this status must use special presentation code 11.

(e) Fuels.

(f) Submissions that would have been covered by Article 4 of S.C. Resolution No. 361/83.

Article 3. The balances of Certificates of Sworn Declaration of Need to Import issued through September 29, 1983 which have not been wholly or partially used by October 10, 1983 inclusive shall be void.

Article 4. The holders of a certificate voided pursuant to Art. 3 who had goods in transit to the country on October 10, 1983 covered by the unused balance which has been voided may request, for an amount up to that of such balance, a new Sworn Declaration of Need to Import, accompanied by supporting documents (bill of lading, invoices, order slip, acceptance of purchase, etc.) and the original of the certificate(s) voided. These should be presented to the advisory Section on Sworn Declarations of Need to Import. Totally or partially unused letters of credit to which certificates of Sworn Declarations of Need to Import, valid at the time such letters were opened, may not be extended, broadened or changed in application of such certificates.

Article 5. Article 2 of Resolution S.C. No. 33 of July 28, 1982 and its amendments in Article 2 of Resolution S.C. No. 163 of June 28, 1983 and Art. 5 of Resolution S.C. No. 209 of July 25, 1983 are hereby repealed.

Article 6. For the import of goods not included under Article 2, Certificates of Sworn Declaration of Need to Import shall be issued for a percentage of the total value of bank allocations dated between October 1, 1982 and September 30, 1983 and received by October 13, 1983 according to the system established by M.E.C.E.I.M. Resolution No. 175/81, for each importer and for each one of these per Customs Tariff Heading. In this way, as from the date of entry into force of the present Resolution, each importer shall be provided, for each tariff heading in which previous assignments are recorded, with an allotment of a total f.o.b. amount in U.S. dollars equivalent to 61.6 percent of the total allocated in the period here concerned, which shall be awarded to him during the October/December 1983 Quarter. The total resulting amount shall be granted according to the following timetable, expressed in cumulative percentages of the allocations:

- Up to October 31, 1983 - 3 percent;
- Up to November 30, 1983 - 5 percent;
- Up to December 31, 1983 - 6 percent.

When this allotment has been used up, anyone submitting new Sworn Declarations of Need to Import during the same quarter will receive data verification forms bearing the words "Error 207 DJNI Non Issuable."

The same form with the same wording will be issued in those cases where there are no antecedents on record for the NADI tariff heading under which the declaration is being filed.

Article 7. Certificates of Sworn Declaration of Need to Import shall not be issued for capital goods included under codes 06 and 07 of SECYNEI Resolution No. 1320/79.

Article 8. Exceptional circumstances that importers may think it necessary to invoke must be described in writing and submitted, with proper supporting documents, to the National Import Directorate, Sworn Declarations of Need to Import Section. The Undersecretariat of Foreign Trade and Regional Integration shall be authorized to grant exceptions accordingly.

Article 9. This Resolution shall enter into force on the date it bears.

Article 10. It shall be declared, published and transmitted to the National Directorate of Official Records for safekeeping.

Resolution No. 382.

ALBERTO R. NOGUERA

SECRETARY OF COMMERCE

REGARDS

DANTE SIMONE

Received in Cable Room October 27, 1983