

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/81/151

CONFIDENTIAL

July 13, 1981

To: Members of the Executive Board
From: The Secretary
Subject: Argentina - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on recent changes in Argentina's exchange system.

Att: (1)

INTERNATIONAL MONETARY FUND

Argentina--Exchange Arrangements

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

(In consultation with the Legal Department)

Approved by E. Walter Robichek and Manuel Guitian

July 10, 1981

The Executive Director for Argentina has requested that the Fund be informed of the recent modifications in Argentina's exchange arrangements described in the attached communications from the Central Bank of Argentina dated June 22, June 23, and June 24, 1981.^{1/} Effective June 22, 1981, the foreign exchange market was split into a commercial market and a financial market. At the close of business on June 24, 1981, the rates for the U.S. dollar were \$a 4,474 in the commercial market, and \$a 5,300 buying and \$a 5,350 selling in the financial market. This compares with buying and selling rates on June 19, 1981 of \$a 4,425 and \$a 4,435 per U.S. dollar, respectively. The exchange rates of June 24, 1981 therefore represent a depreciation of the Argentine peso (selling rate) by 0.9 per cent in terms of pesos per U.S. dollar (also 0.9 per cent in U.S. dollars per peso) in the commercial market and a depreciation of 20.6 per cent in pesos per U.S. dollar (17.1 per cent in U.S. dollars per peso) in the financial market.

In the commercial market, the Central Bank will quote daily the exchange rate between the Argentine peso and the U.S. dollar, the intervention currency. The following transactions are to be conducted in this market: (1) export receipts and payments for nongold imports valued f.o.b. at the port of shipment; and (2) 90 per cent of the f.o.b. value of promoted exports (as listed in Circulars R.C. 704 and R.F. 98 of September 23, 1977 and their supplements). Access to this market is also granted to repayments of principal on loans, the proceeds of which were drawn and negotiated in the foreign exchange market on or before June 19, 1981, provided that such loans fall due on or after this date, are renewed for a term of at least one year, and were registered with the Central Bank on time and in the proper form, according to norms applying to foreign obligations. The eligibility of this third category for exchange cover in the commercial market is considered to be an exception.

At the close of each business day, the foreign exchange position (valued in U.S. dollars) of each financial institution authorized to operate in the commercial market shall be surrendered to or covered by the Central Bank. For this purpose, the conversion rate of other currencies into U.S.

^{1/} Other recent changes in Argentina's exchange arrangements were described in EBS/81/31 (2/9/81), EBS/81/89 (4/10/81), and EBS/81/132 (6/19/81).

dollars will be based on rates established by the Central Bank at the daily opening of the market. Operations involving countries with which Argentina maintains reciprocal credit arrangements will be conducted according to existing procedures.

The system of exchange rate guarantees for eligible private financial loans announced on June 5, 1981 (described in EBS/81/132, June 19, 1981) will continue to apply provided that the proceeds of such loans are sold in the commercial market at prevailing exchange rates. New regulations for forward exchange transactions will be issued at a later date.

In the financial market, the rates of exchange will be determined freely by supply and demand. This market, in which authorized dealers will be the intermediaries, will cover all transactions not eligible for access to the commercial market, in particular: (1) 10 per cent of the f.o.b. value of promoted exports the permits for which are formalized on or after June 22, 1981; (2) imports of gold, whether in coin, "good delivery" bars, or other forms; and (3) those transactions involving transfers, money orders, checks, traveler's checks, and foreign banknotes. All transactions must be bona fide and in compliance with existing general norms.

All institutions authorized to operate in foreign exchange were required on June 22, 1981 to surrender to the Central Bank their net exchange positions at the close of business on June 19 at the rate of \$a 4,425 per U.S. dollar in accordance with procedures to be established by the Central Bank.

Measures affecting exports and imports were also announced on June 22. Exchange proceeds from traditional exports, for which shipping permits are formalized on or after June 22, must be received prior to shipment, by way of prepayments or irrevocable documentary credits payable in Argentina against shipping documents. The proceeds from promoted exports for which sales are formalized on or after the same date must be received within 180 days of shipment. In both cases, the foreign exchange involved must be surrendered within 15 business days from the deadlines mentioned above. Thus, the maximum delay permitted for the surrender of proceeds from traditional exports was effectively shortened from 30 days to 15 days of shipment; no limit previously existed for promoted exports. Moreover, payments corresponding to the f.o.b. value of merchandise imports contracted from June 22 onward cannot be made before 180 days have elapsed from the date of shipment. Excluded from this regulation are printed goods sent by mail, fresh fruit received on consignment, temporary imports of inputs, and merchandise not dispatched to market on account of damage. Previously, imports in general could be fully paid for without delay; for capital goods, advance payments of up to 20 per cent of the f.o.b. value had been permitted.

The staff will discuss the policy measures outlined above with the Argentine authorities during the forthcoming Article IV consultation discussions with Argentina. In the meantime, no action by the Executive Board is proposed.

Attachments

CABLE

FROM: CENTRAL BANK OF ARGENTINA

TO: INTERNATIONAL MONETARY FUND

JUNE 22, 1981

ATTENTION: MR. JUAN CARLOS IAREZZA, EXECUTIVE DIRECTOR

We address you to inform you that, in accordance with the economic guidelines established by the economic authorities the following norms will be effective as of this date:

1. Financial exchange market

Financial transfers and other movements of funds to and from other countries will be channelled through a financial exchange market at the exchange rates agreed upon by buyers and sellers.

Operations must correspond to bona fide transactions and must be channelled through institutions authorized to operate in foreign exchange operations according to the general norms communicated by Circular CAMEX 1 and its supplements.

2. Commercial exchange market

Receipts and payments corresponding to the FOB value, port of shipment of Argentine exports and imports will be channelled through the commercial exchange market, whose quotations will be fixed daily by the Central Bank.

The net exchange position of the operations channelled through this market must be ceded to or required from the Central Bank daily, at the close of transactions.

Ten per cent of the FOB value of promoted exports (listed in the annex to Circular R.C. 704, R.F. 98 of September 23, 1978 and supplements) whose shipment permits are formalized beginning as of this date, will be negotiated through the financial market.

3. Previous financial loans

Financial loans drawn and negotiated in the exchange market up to and including June 19, 1981 and formally registered on time and in proper form with the Central Bank may be repaid at their maturing dates through the commercial market, as an exception.

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4. Exchange position

Institutions authorized to operate in the foreign exchange market will surrender their net general position to the Central Bank at the close of operations as of June 19, 1981 at the exchange rate of a\$4,425 per U.S. dollar under the terms, form and other conditions to be established.

REGARDS

ANTONIO CONDE

MANAGER EXTERNAL AND EXCHANGE OPERATIONS

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

JUNE 23, 1981

ATTENTION: MR. JUAN CARLOS IAREZZA, EXECUTIVE DIRECTOR

This is to inform you of the measures adopted by means of Communication "A" 39 of 6/22/81:

Exports

The price of traditional products whose shipping permits are made official after 6/22/81 shall be received before the shipment, by means of advance payments or irrevocable documentary credit payable against shipping papers in our country.

The price of promoted export products whose sale is contracted starting today shall be received within 180 days of shipment.

In either case, the foreign exchange shall be traded not later than 15 working days after the specified term.

Imports

The f.o.b. price of new imports of merchandise in general may be paid only at terms of not less than 180 days from the date of shipment. This provision excludes printed books entering the country through the mails, fresh fruits received on consignment, temporary imports of inputs, and merchandise not shipped to the market because of damage, payment for which shall continue to be made as until now.

REGARDS.

ANTONIO E. CONDE
FOREIGN AND EXCHANGE MANAGER

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

JUNE 23, 1981

ATTENTION: MR. JUAN C. IAREZZA, EXECUTIVE DIRECTOR

FINANCIAL MARKET 6/23/81

CLOSING QUOTATIONS OF BANK OF THE ARGENTINE NATION

PESOS 5,100 BUYING AND PESOS 5,150 SELLING PER U.S. DOLLAR.

CABLE

FROM: CENTRAL BANK OF THE ARGENTINE REPUBLIC, BUENOS AIRES

TO: INTERNATIONAL MONETARY FUND, WASHINGTON

JUNE 24, 1981

ATTENTION: MR. JUAN CARLOS IAREZZA, EXECUTIVE DIRECTOR

This is to inform you of additional provisions concerning operations effected in the financial and commercial exchange markets, adopted by means of Communication "A" 40 of 6/22/81:

1. Financial Exchange Market

Exchange Rates

Those resulting from the free play of supply and demand, for transfers, drafts, checks, travellers checks, foreign banknotes, and gold coins and good delivery bars.

Operations

With the exception of the operations which are carried out in the commercial market as specified in item 2, all transactions shall be carried out in the financial exchange market at the rates prevailing at the moment of the transaction.

Payments for imports of gold (N.A.D.I. 71.07.00.00.00 and 72.01.02.01.00) shall be made through this market.

Operations shall comply with the current general procedures contained in Circular CAMEX 1 (Communication "A" 13) and complementary circulars.

Forward Operations

Shall conform to the provision of Circular CAMEX 1, Chapter II, item 5.

2. Commercial Exchange Market

Exchange Rate

It is communicated daily by the Central Bank for the U.S. dollar, the currency in which the financial institutions authorized to deal in exchange must, at the daily close of business, surrender to or request from the Central Bank the balance resulting from the operations they carry out in this market.

For the conversion of other currencies into U.S. dollars, this Bank shall make public daily, at the opening of the market, the exchange rates to be applied.

For operations with countries with reciprocal credit agreements, the arbitration procedure set forth in Circular CAMEX 1, Chapter 1, item 1, Section 1.1 shall be applied.

Operations

The following operations shall be carried out in this market:

(a) Collection and payment of the f.o.b. price at the port of shipment of Argentine exports and imports (freight, insurance, interest and charges not included).

This provision excludes imports to be paid for through the financial market as specified in item 1 of this communication, as well as 10 per cent of the f.o.b. price of promoted exports--listed in the annex to Circular R.C. 704/R.F. 98 of 9/23/77 and complementary circulars--whose permits are made official on or after this date, which shall also be handled through the financial market.

(b) Repayment of loans (principal only) referred to in item 3 of this communication.

3. Earlier Financial Loans

On an exceptional basis, loans received in the country and traded in the exchange market through 6/19/81 may be repaid (principal only) through the commercial exchange market, subject to current general provisions, provided that:

- (a) they fall due on or after this date;
- (b) they are renewed for a term of not less than one (1) year upon such maturity; and
- (c) the debt has been registered with this Bank within the prescribed time and in the proper form, in accordance with the regulations on the permanent survey of liabilities toward foreign creditors.

4. Exchange Insurance

The exchange insurance system for financial loans implemented by Circular CAMEX 1-2 (Communication "A" 31) of 6/5/81 and complementary circulars remains in effect in the commercial market.

As a result, for loans received in the country and traded on or after this date and which in accordance with the provisions of item 1 hereof must be negotiated in the financial exchange market, this Bank will agree to the provision of exchange insurance if the foreign exchange is traded in the commercial market at the exchange rates prevailing therein.

5. Other Provisions

The provisions contained in Circular CAMEX 1-2 (Communication "A" 31), Circular CAMEX 1-3 (Communication "A" 33), and items 3 and 4 of this Communication may be applied jointly, in full or in part, provided the conditions required by each system are complied with.

REGARDS

ANTONIO E. CONDE

FOREIGN AND EXCHANGE MANAGER