

EBS/81/89

CONFIDENTIAL

April 10, 1981

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

The attached paper on changes in the exchange arrangements and trade system of Argentina is circulated for the information of Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

Argentina - Exchange Arrangements and Trade Measures

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

(In consultation with the Legal Department)

Approved by Carlos E. Sanson and Manuel Guitian

April 10, 1981

In a communication dated April 2, 1981 (attached), the Executive Director for Argentina informed the Fund of further changes in Argentina's exchange arrangements.^{1/} According to Communication A, No. 16 of the Central Bank of Argentina, effective April 2, 1981 the Central Bank will determine daily the spot selling and buying regulation rates of the Argentine peso for the U.S. dollar. On the same date, the Argentine peso was depreciated as the spot selling rate was adjusted by 30.1 per cent to \$a 3,100 per U.S. dollar, and the spot buying rate was adjusted by 32.4 per cent to \$a 3,050 per U.S. dollar. At the same time, the authorities announced that they intend to adjust these rates by small amounts at frequent intervals in the future.

As was the case under the previous exchange arrangements, the Central Bank will sell foreign exchange if the daily quoted selling rate (the upper limit) is reached, and it will buy foreign exchange if the daily quoted buying rate (the lower limit) is reached. Transactions at rates within the band between the regulation rates may be undertaken freely. The difference on April 2, 1981 between the selling (the upper limit) and buying (the lower limit) rates was 1.6 per cent; as in the past the actual difference between buying and selling rates will be related to the cost of exchange transactions. Also, effective April 2, 1981, the requirement to declare the purpose of purchases of foreign exchange, which had been established on March 20, 1981, was eliminated.

The trade system was also modified on April 2, 1981 in conjunction with the exchange rate adjustments described above. A 12 per cent tax was imposed on exports of cereals, meat, and other products. This tax will be gradually reduced for cereals beginning May 1, 1981; it will be eliminated altogether by November 1, 1981 in the case of fine grain cereals and by March 1, 1982 in the case of coarse grain cereals. The staff has also been informed that a 10 per cent tax was imposed on exports of various food products including wheat flour, vegetable oils and waxes, and cereal-based products. On the other hand, export rebates for certain

^{1/} The previous change in Argentina's exchange arrangements was described in EBS/81/31 (2/9/81).

export products (e.g., fruits, tomatoes, cotton, tea, yerba mate, milk, wool, and honey) were reduced by 3 percentage points. Import duties at the highest ranges of the import tariff structure, except in the case of motor vehicles, were reduced by 12 percentage points to a level which, however, may not be below 43 per cent. Import duties under a level of 43 per cent remain unchanged.

The staff will discuss the changes described above with the Argentine authorities during the forthcoming Article IV consultation scheduled for mid-1981.

Attachment



Office Memorandum

ATTACHMENT

TO : Mr. Caiola

FROM : Juan Carlos Iarezza

SUBJECT : Argentina - Recent Exchange Measures

DATE: April 2, 1981

This is to inform you that the Argentine authorities have taken the following exchange measures:

1. The Central Bank will fix daily, the intervention range of the exchange rate. Today, the buying and selling rates are, in dollar terms, 3,050 and 3,100 pesos respectively.

2. The previous intervention rate has been eliminated.

3. The requirement to declare the purpose of purchases of foreign exchange prevailing from March 20, 1981, was eliminated.

4. There will be a 12 per cent export tax on traditional export products, which will be gradually reduced on a monthly basis. the maximum tax rebates on industrial exports will be 25 per cent.

Foreign exchange earnings on exports declared to the Junta Nacional de Granos that either, pay export taxes or receive rebates in effect on April 1, 1981, will be liquidated at the prevailing exchange rate.

5. The maximum import tax was reduced from 55 per cent to 43 per cent.