IV. TRADE POLICIES BY SECTOR

(1) OVERVIEW

1. Argentina is a major producer of agricultural goods, notably cereals and livestock products. At the international level, it is striving for greater liberalization of trade in agricultural products, and the agricultural negotiations are one of its main interests in the WTO. In general, support for the agricultural sector is limited in Argentina: the support notified falls within the Green Box, tobacco being the one exception. Tariff protection for agricultural products is lower than that for manufactures (ISIC classification): in 2012, it was 7.2% compared to an overall average of 11.4%. Argentina has no tariff quotas at the multilateral level, but it does apply preferential tariff quotas for certain agricultural products.

2. Mining is open to private Argentine and foreign investors. While mining activities are coordinated by the Federal Government, the provinces may define their own policies and manage their mining resources, as well as collect mining royalties. There are export duties on mining products at a rate that ranges from 5 to 10%. The mining sector benefits from a series of fiscal incentives which Argentina has notified to the WTO. Since May 2012, mining companies in receipt of these tax benefits must use Argentine companies to ship their goods.

3. Argentina is Latin America's fourth largest producer of crude oil and has the third largest reserves of natural gas. Export duties on crude oil exports vary according to international oil prices, but the minimum is 45%. For exports of natural gas, the rate is 100% and for propane gas it is 45%. As a result of increased domestic demand and a drop in production, Argentina has been a net importer of natural gas since 2008. In May 2012, following the nationalization of the company Yacimientos Petrolíferos Fiscales (YPF), new principles were introduced for Argentina's hydrocarbons policy, including the integration of national and international public and private capital for exploration and exploitation of conventional and non-conventional hydrocarbons and the generation of an exportable surplus of hydrocarbons.

4. Over the period 2006-2011, real GDP in the manufacturing sector grew at an average annual rate of 6%. Increased production has been accompanied by a sharp rise in the level of utilization of installed capacity, which was 78.9% in April 2012, five percentage points above the 2006 level. Border measures applied in the manufacturing sector include tariffs, non-automatic import licensing, and the use of contingency measures, notably anti-dumping duties. The simple average MFN tariff in the manufacturing sector was 11.7% in 2011, with rates ranging from 0 to 35%. During the period under review, a sizeable group of manufactures remained subject to a non-automatic import licensing requirement. Furthermore, duty of 5% is still payable on the export of most manufactures.

5. The main feature of the electricity sector is the strong presence of foreign companies. Argentina covers most of its energy supply needs from its own resources. The majority of hydroelectric power stations operate under concessions granted by the National State or provincial states, mostly to private firms, although the two bi-national hydroelectric power stations are owned by the Argentine National State and the counterpart foreign State (Paraguay and Uruguay, respectively). Argentina is interconnected to the Brazilian, Paraguayan, Uruguayan and Chilean electricity grids. Policy for the electricity sector is intended to promote sustainable development, encouraging the use of renewable energy. Pursuant to Argentina's legislation, the end-user market has been divided into a regulated segment (end users) and another open to competition (large users). In the regulated segment, the distributor holding the concession is guaranteed a monopoly and tariffs are regulated. Large users are free to procure electricity on the market.

6. Argentina undertook commitments in six of the 12 sectors specified in the GATS. It participated in the extended negotiations on telecommunications and ratified the Fourth Protocol; it also took part in the extended negotiations on financial services, but did not present any new offer.

7. Since November 2000, all telecommunications services have been provided on a competitive basis. Nevertheless, fixed telephony continues to be dominated by the two "traditional operators", whose contracts were declared under renegotiation in 2002 because they had not readjusted their rates. Rates for other telecommunications services may be determined freely.

8. Argentina's financial sector has adequate levels of solvency. In 2011, the rate of paid-up capital was 15.5% of credit-risk weighted assets, 62% above the regulatory requirement. All financial groups have maintained an amount of paid-up capital in excess of the minimum regulatory requirements. Argentina's legislation does not lay down any restrictions concerning the nationality of investors wishing to invest in the domestic financial system or on the transactions which the institutions in which they invest may conduct. Financial institutions with foreign capital operating in Argentina receive national treatment, in accordance with Argentine legislation. Foreign insurance companies, however, are granted national treatment based on the principle of reciprocity. Prior authorization based on timeliness and expediency is required to operate in the insurance market. Insurance to cover risks that might occur in Argentine territory may only be taken out with firms established in Argentina. Insurance premiums are subject to a tax, with a higher rate applicable to firms established abroad.

9. Domestic air and shipping services (cabotage) are reserved for Argentine companies, although waivers may be granted. Airports are State-owned but concessions have been given to private companies or consortiums for the management of the major airports. Most ports are privately managed, but six of them, including the port of Buenos Aires, remain under State management.

10. In general terms, the exercise of a profession in Argentina is not regulated; what is regulated is the curriculum for awarding diplomas for professions whose exercise could run counter to the public interest, placing the health, safety, rights, property or education of the population directly at risk. With regard to professional services, professional qualifications obtained abroad have to be revalidated by an Argentine university. Argentina has undertaken specific commitments on a number of professional services under the GATS, including legal, accounting, engineering and architectural services.

11. Argentina's legislation recognizes the tourism sector as being one of national interest. Accordingly, in 2010 the Ministry of Tourism was created in order to reinforce and intensify government action in the sector, which may be given general or specific incentives.

(2) AGRICULTURE, FORESTRY, FISHING AND RELATED PROCESSING ACTIVITIES

(i) Agriculture and food processing

(a) Main features and objectives

12. Agriculture is a sector of key importance for Argentina because of the scale of its production and the impact on exports and GDP in general. Argentina has a solid comparative advantage in agriculture, especially cereal and livestock production. Agriculture's share of GDP (including livestock and forestry, but not food processing) was 9.6% in 2011 in current peso terms. This figure to a large extent reflects the sharp increase in prices of agricultural products as the sector's

share of GDP in real terms was only 4.3% that year. In March 2012, agriculture, livestock, hunting and forestry directly provided 5.6% of total jobs, and a further 5.4% of the working population was employed in processing food, beverages and tobacco. Agricultural exports are dominated by oilseed, livestock and cereal products (see also Chapter I(3)).

13. The main agricultural products are soyabeans, maize, wheat, sunflowers, sorghum, vines, lemons, apples, rice and livestock (essentially beef cattle). Argentina is one of the world's leading producers of sunflower seed oil, soyabeans and soyabean oil, honey, lemons and beef.

14. The Ministry of Agriculture, Livestock and Fisheries (MAGyP) is responsible for drawing up and implementing agricultural policy. The MAGyP's Unit for Rural Change (UCAR) manages the Ministry's external financing portfolio, using programmes and projects to promote and facilitate equitable development in rural areas.[1] The Federal Council for Agriculture (CFA), created by Law No. 23.843, enacted on 26 September 1990, is an advisory and consultative body for the Executive on all matters concerning the agricultural and fisheries sector referred to it because of their impact on regional or provincial economies. The CFA is chaired by the MAGyP and has committees both by region and by activity. The functioning and number of these committees may lead to coordinated action by national and provincial public sectors in accordance with the definition and execution of agricultural and fisheries policies.

15. At the international level, Argentina advocates continuation of the agricultural reform process agreed in the Uruguay Round and has on many occasions reiterated its concern at the lack of progress in the Doha Round negotiations and at the erosion of market access through growing use of technical barriers.[2] Argentina is a founding member of the Cairns Group and its position is to move ahead with the Doha Round, continuing the reform of agriculture launched during the Uruguay Round. Argentina considers that the agricultural negotiations are key in assessing the results of the Round in terms of development and in ensuring food security.

(b) Policy instruments

Border measures

16. In 2012, tariff protection for agricultural products was 7.2% (ISIC Rev.2 Major Group 111) compared to 11.7% for manufactures (ISIC Major Division 3) (see also Chapter III(2)(iv)). Taking into account the WTO definition of agriculture, which includes agro-industrial products, the average tariff rises to 10.1%. By WTO category, protection is higher than average for dairy produce (18.6%), sugar and confectionery (17.6%), beverages, alcohol and tobacco (16.9%), coffee and tea (13.7%) and cereals and cereal preparations (11.7%), whereas it is lower than average for imports of cotton (6.3%), animals and products of animal origin (7.9%), oilseeds, fats and oils and byproducts (7.9%), and fruit, vegetables and garden produce (9.2%).

17. Additional import duties are imposed on imports of sugar of any origin, which may result in a decrease or increase in the *ad valorem* rate applied. Trade in sugar within MERCOSUR is not duty free, so it is one of the two exceptions to free trade within MERCOSUR, the other being the automotive industry.

[1] Online information from UCAR. Viewed at: http://www.ucar.gob.ar.
[2] WTO document WT/MIN(11)/ST/19 of 16 December 2011.

18. Argentina has no tariff quotas at the multilateral level. It does, however, apply preferential tariff quotas for certain agricultural products under regional trade agreements. For example, under Economic Complementarity Agreement (ECA) No. 6, Argentina grants Mexico a reciprocal quota of 10,000 tonnes for canned peaches in syrup or bottled peaches in water with added sugar or other sweetener or syrup. Under ECA No. 59, Argentina grants Colombia a quota of 441 tonnes for chewing gum and chocolate; and gives Ecuador quotas of 100 tonnes (for chewing gum) and US$100,000 for natural plant-based foods processed from wheat germ, soyabeans and seaweed, except for milk flour. In 2011 and 2008, respectively, a tariff preference of 100% was given for these goods so these restrictions no longer applied.

19. Law No. 21.453 of 8 October 1976 and amendments thereto govern export of the agricultural products specified therein. Export duty is payable on these products and ranges from 5 to 35% (Table IV.1 and Chapter III(3)(ii)).

Table IV.1
Rates of export duty on the main agricultural products and byproducts covered by Law No. 21.453

NCM	Product	Export duty (%)
1001.10.90	Durum wheat, except for sowing	23
1001.90.90	Wheat, other, except for sowing	23
1005.90.10	Maize, other, in grains[a]	20
1005.90.90	Maize, other, except for grains	20
1101.00.10	Wheat flour	13
1201.00.90	Soyabeans, except for sowing	35
1206.00.90	Sunflower seeds, except for sowing[b, c]	32
1208.10.00	Soyabean flour	32
1507.10.00	Crude soyabean oil	32
1507.90.11	Refined soyabean oil, in containers	32
1507.90.19	Refined soyabean oil, in bulk	32
1507.90.90	Soyabean oil, other	32
1512.11.10	Sunflower seed oil	30
1512.19.11	Refined sunflower or safflower seed oil, in containers	30
1512.19.19	Refined sunflower or safflower seed oil, other	30
1517.90.10	Mixtures of refined oils, in containers[d]	32
1517.90.90	Mixtures, food preparations and other products containing soyabean oil[e]	20
1901.20.00	Mixes and doughs for the preparation of bakers' wares[f]	5
1901.90.90	Other flour- or starch-based preparations[f]	5
2304.00.10	Soyabean flour and "pellets"	32
2304.00.90	Soyabean cake and expellers	32
2306.30.10	Sunflower seed cake, flour and "pellets"	30
2306.30.90	Sunflower seed expellers	30

a Except pisingallo maize, which is subject to 5% export duty.
b Except confectionery-type sunflower seed, which is subject to 10% export duty.
c Except shelled sunflower seed, which is subject to 5% export duty.
d Only mixtures which contain soyabean oil.
e Except mixtures, food preparations and other products containing soyabean oil.
f Except wheat-flour based preparations (excluding dough in disks or other similar solid form and mixes for making cakes, sponge cakes and similar pastry products, in containers of a net content of 1 kg or less), with additives and/or ingredients, which are subject to 18% export duty.

Source: Ministry of the Economy and Public Finance (2012), *Tributos Vigentes en la República Argentina a Nivel Nacional* (updated to 30 June 2012). Viewed at: http://www.mecon.gov.ar/sip/dniaf/tributos_vigentes.pdf.

20. Between March 2006 and March 2008, the Argentine Government took measures to guarantee supplies of beef. For this purpose, in March 2006, the authorities imposed an 180-day ban on beef exports.[3] In May 2006, this export ban was lifted and replaced by an export quota for

[3] Resolutions Nos. 114/2006 of 8 March 2006 and 210/2006 of 30 March 2006. The NCM tariff headings concerned were: 0102.90.90, 0201.10.00, 0201.20.10, 0201.20.20, 0201.20.90, 0201.30.00, 0202.10.00, 0202.20.10, 0202.20.20, 0202.20.90, 0202.30.00, 1602.50.00, 1602.90.00 (beef) and 1603.00.00 (beef).

the period 1 October 2006 to 30 November 2006, corresponding to 40% of exports during a reference period (1 June to 30 November 2005).[4] Resolution No. 935 of 29 November 2006 of the former Ministry of the Economy and Production (MEP) determined a monthly export quota for the period between 1 December 2006 and 31 May 2007 corresponding to 50% of the total average monthly physical volume exported during the reference period, comprising 1 January to 31 December 2005, for goods falling under the NCM tariff headings listed in the Annex to the Resolution. Resolution No. 367/2007 extended the provisions in Resolution No. 935/2006 up to 31 December 2007 and Resolution No. 24/2007 further extended them to 31 March 2008. There have been no further extensions.

21. Under an April 2008 framework agreement between the Government and the various operators in the meat production chain, the quotas were replaced by a requirement that exporters should be registered. Resolution No. 6 of 2 May 2008 provided that operations falling under specific NCM tariff headings must be registered in the Register of Export Operations (ROE), introduced by MEP Resolution No. 31 of 27 January 2006, under the responsibility of the National Office for the Control of Agricultural Trade (ONCCA). In setting out the reasons for registration, the Resolution stated that it was an appropriate tool for normal and regular monitoring of supplies, particularly for so-called "mass consumption" beef cuts.

22. In its most recent notification to the WTO, covering the period 2008-2009, Argentina indicated that it did not grant any export subsidies for agricultural exports during this period.[5]

23. A special registration requirement applies to the export and/or import of certain agricultural products. For example, exporters and importers of animals, plants, reproductive and/or propagation material, products, byproducts and/or derivatives of animal or plant origin or goods containing ingredients of animal and/or plant origin among their components must be registered in the relevant SENASA register (see Chapter III(2)(ix)). Exporters of wine and must have to be listed in the Register of Exporters at the National Grape-Growing and Wine Production Institute, and exporters of food products must be enrolled in the National Register of Food Products (RNPA), kept by the National Food Institute (INAL).

24. Special registration requirements also apply to the export (and import) of grains, meat and dairy produce. ONCCA, an autonomous and decentralized body attached to the MAGyP and created by Decree No. 1.343/96, was responsible for controlling strict compliance with the marketing rules in the agricultural sector until 2011. It was also in charge of enrolling operators in the relevant registers, authorizing them to operate on a commercial basis, and for dealing with foreign trade instruments according to the various subsectors of production, as well as for drawing up and publishing benchmark prices for beef cattle and pigs and administering the Hilton Quota. Decree No. 192/2011 of 24 February 2011 dissolved ONCCA (see Chapter III(3)(i)) and its responsibilities, budgetary allocations, goods, assets and personnel were transferred to the MAGyP.[6]

[4] Resolution No. 397/2006 of 26 May 2006. The quota applied to the following NCM tariff headings: 0102.90.90, 0201.10.00, 0201.20.10, 0201.20.20, 0201.20.90, 0201.30.00, 0202.10.00, 0202.20.10, 0202.20.20, 0202.20.90 and 0202.30.00.

[5] WTO document G/AG/N/ARG/29 of 27 April 2010.

[6] Decree No. 192/2011 amended the Law on Ministries (text harmonized by Decree No. 438 of 12 March 1992) and the amendments thereto in order to include among the MAGyP's responsibilities control of compliance with the marketing rules in the agricultural sector in order to ensure transparency and free competition for these activities, taking all the measures required for this purpose throughout Argentina, and to

25. Producers of grains and oilseeds must record their inventories in the Register of Grain Inventories, pursuant to Resolution No. 684/2008. This Register is currently kept by the MAGyP following the dissolution of ONCCA. The purpose of the Register is to have available the information needed to formulate agricultural policies and it includes stocks of grains and oilseeds that have not yet entered the commercial chain. The INAL keeps the RNPA. All goods produced in Argentina exclusively for export must be recorded in the Register. If an exporter that is also a producer wishes to obtain an RNPA certificate exclusively for exports, it must first register the establishment where the good is produced in the National Register of Establishments (RNE). If the exporter is not the producer, it must have an RNE exporter's certificate as well as an RNE producer's certificate in order to be registered in the RNPA.

26. Exports of grains and oilseeds (NCM tariff headings 1001.10.90 (meslin wheat and durum wheat (except for sowing)), 1001.90.90 (meslin wheat, other (except for sowing)), and 1005.90.10 (maize) must be registered in the ROE ("ROE Green"), as prescribed by ONCCA Resolution No. 543/2008 and amendments thereto and by Law No. 21.453 of 8 October 1976 and amendments thereto. The latter Law, the supplementary text Law No. 26.351 of 16 January 2008, and Decrees Nos. 1.177 of 10 July 1992 and 654 of 19 April 2002 introduced registration of foreign sales for products of agricultural origin through a system of sworn declarations of sales abroad. The "ROE Green" was established so that the volume of exports of agricultural products could be known with certainty and immediately, thereby ensuring that there was no impact on normal supplies for the domestic market, and also to be able to follow up foreign trade in these products more closely. ONCCA Resolution No. 543/2008 and amendments and supplements thereto determine the requirements for such procedures, as well as the need to guarantee supplies of wheat and maize for the domestic market, whose volume amount to 6.5 and 8 million tonnes, respectively. These figures stayed the same for the 2009/2010 and succeeding seasons.[7] The exportable net balance is the product of what remains from total production for the 2009/2010 and succeeding seasons plus that remaining from the previous season, domestic supply needs, estimates of seeds needed for the next sowing season and needs to cover various contingencies. Developments relating to production, supplies and marketing of wheat and maize are monitored regularly. In 2011, 6,150,126 tonnes were authorized under the "ROE Green".

27. It is a prior and mandatory requirement to be enrolled in the ROE ("ROE Red"), created by MEP Resolution No. 31/2006, before being able to export beef. The objective is to ensure the orderly functioning of the beef market and the transparency of export transactions in light of their increase. Subsequently, MEP Resolution No. 6/2008 supplemented the former and gave ONCCA the task of implementing the aforementioned instrument. ONCCA duly issued Resolutions Nos. 3.433/2008 and 6.687/2009, which introduced the procedures for controlling transactions so as to shorten and harmonize administrative deadlines. Resolution No. 6.687/2009 also introduced other changes to implementation of the "ROE Red", including a decrease from 50% to 30% in the Export Production Reserve, as provided in Resolution No. 542/08, with seven higher-value cuts being excluded from this amount: porterhouse steak, tenderloin, rump steak, prime rib, cap of rump roast, beef round and sirloin tip. In 2011, 196,118 tonnes were authorized under the "ROE Red".

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make the MAGyP the authority for implementation of Decrees Nos. 1.343 of 27 November 1996 and 1.067 of 31 August 2005, and their amending and supplementary regulations.

[7] The domestic supply levels for 2009/2010 come from the First Framework Agreement for the Purpose of Promoting Exports of Wheat and Maize, signed in September 2008 by the Secretariat for Domestic Trade, the former Ministry of Production and ONCCA, on the one hand, and the Cereal Exporters' Centre and the Argentine Federation of the Milling Industry, on the other.

28. In order to comply with the Price Stabilization Programme for Dairy Produce intended for the Domestic Market, established by MEyP Resolution No. 61/2007, and guarantee domestic supplies of dairy produce, a register of contracts for foreign sales of dairy produce ("ROE White") was introduced. By means of Resolution No. 6.686/2009, ONCCA implemented the "ROE White", on which every person wishing to export or import dairy produce must be registered. Joint Resolution Nos. 2.662 and 7.178/2009 of the Federal Public Revenue Administration (AFIP) and ONCCA authorized computerization of "ROE White" formalities through the MARÍA (SIM) computer system. Since August 2009, "ROE White" authorizations have been subject to guarantees of a stock of 25,000 tonnes of powdered milk to be kept by milk plants in order to guarantee supplies for the domestic market. In 2011, 231,730 tonnes were authorized under the "ROE White".

Internal measures

29. According to Argentina's latest notification to the WTO, submitted in September 2010 and covering the 2004/2005 and 2005/2006 seasons, domestic support was granted for research, pest and disease control, training, extension and advisory services, inspection services, and infrastructure services and for regularization of land tenure in the province of Misiones in favour of producer occupiers.[8] Decoupled income support was granted to smallholders (*minifundistas*) (Agricultural Social Programme) and tobacco-growing families. Financial support has also been granted in cases of natural disasters and as structural adjustment assistance through support for investment. All these Green Box measures amounted to Arg$169.9 and Arg$248.8 million (1992 pesos) in 2005 and 2006, respectively. The total AMS (granted for tobacco only) was Arg$74.9 million (1992 pesos) in 2005-2006.

30. Resolution No. 38/2008 of the Secretariat for Domestic Trade, which amended the previous Resolution No. 1/2006, determines the selling price to the public of certain cuts of beef (for mass consumption), together with ex-factory prices and reference prices for various categories of live animals and for bovine meat.[9] Resolution No. 38/2008 reflects the commitment made in 2008 by the National Government and various representatives of the meat industry and the meat trade to harmonize prices for the sale of various cuts of bovine meat. The purpose of this agreement is to guarantee supplies and stabilize domestic prices for cuts for mass consumption, untying them from rising price trends for other cuts, mainly for export.[10] Resolution No. 38/2008 indicates that, in order to achieve this objective, it is necessary to maintain and/or increase the exportable surplus to the extent that increased production and slaughter so permit. The measure was taken in exercise of the powers conferred by Law No. 20.680 of 25 June 1974 (Law on Supply and Repression of Speculation) and amendments thereto, Decree No. 2.284 of 31 October 1991, ratified by Law No. 24.307 of 30 December 1993 and Decree No. 877 of 12 July 2006.[11]

[8] WTO document G/AG/N/ARG/30 of 18 October 2010.

[9] Resolution No. 38/2008 of 11 March 2008. Viewed at: http://infoleg.mecon.gov.ar/infolegInternet/anexos/135000-139999/138565/norma.htm.

[10] The argument put forward in the Resolution is that normal and regular supplies of so-called "mass consumption" cuts of beef, at agreed prices, is one of the key components for compliance with policies to improve income distribution.

[11] Article 2 of Law No. 20.680 provided that the National Executive, either on its own or through officials and/or bodies, may issue regulations governing marketing, intermediation, distribution and/or production relating to the selling or buying, bartering or leasing of movable goods, works and services (including their direct or indirect raw materials and inputs) to be used for health, food, clothing, hygiene, housing, sports, culture, transport, heating, refrigeration, leisure, as well as any other movable goods or services that directly or indirectly cater to the population's common or everyday needs.

31. For tobacco producers, there is a system of minimum prices financed by the Special Tobacco Fund (FET), created in 1972 under the National Tobacco Law, Law No. 19.800 of 23 August 1972, and financed in part by resources earned from the collection of 7% of the total selling price of each packet of cigarettes to the public. Pursuant to Article 28 of this Law, 80% of the FET's resources are distributed among the provinces. For the purpose of this Review, the authorities emphasized that this support remained within the limit of the subsidies bound by Argentina in the WTO. The MAGyP sets the FET price (which includes the surcharge and an additional tax for specific projects in some regions) for different varieties of tobacco. The funds are transferred to the provinces in proportion to the gross value of each province's output. The remaining 20% of the Fund's income is used to finance specific projects aimed at the restructuring, diversification and modernization of tobacco production.[12] The provinces pay the "FET price" to producers through the provincial governments or the bodies designated by them and carry out the aforementioned projects. In order to be eligible, producers must be registered annually in the National Register of Tobacco Producers.

32. The Bank of the Argentine Nation (BNA) has special credit lines for the agricultural and livestock sector. Financing at a lower rate of interest is provided for various purposes including sowing, for working capital and investment and the purchase of agricultural machinery.[13] The MAGyP's rate of interest may be up to 6 percentage points lower annually (Table IV.2). Beneficiaries of some programmes also receive a lower rate from the BNA.

Table IV.2
Special BNA lines of credit for the agricultural sector

Programme	User	Purpose	Terms
Financing for the dairy sector			
	Dairy farmers and dairy MSMEs.	Broad scope investment: - Dairy farmers: building or extension of facilities or infrastructure; purchase of machinery manufactured in Argentina or imported if not available locally; improvement and expansion of herds; buying of adjacent or nearby fields of an area not exceeding 20% of the existing farm; software; investment-related working capital (for up to 20% of the total loan) - Dairy MSMEs: building, modernization and/or extension of facilities, building of ripening rooms and/or storage facilities, salting rooms, purchase of machinery, manufactured in Argentina or imported if not available locally, investment-related working capital (not exceeding 20% of the total loan). Working capital.	Amounts: - Investment: assessed on a case-by-case basis. The percentage of support may be up to 100% of the amount requested. For the purchase of adjacent or nearby fields, the amount of the purchase or valuation may not exceed Arg$800,000. - Working capital: dairy farmers: the maximum per user is 1.5 times the average monthly invoicing by the farmer over the previous 12 months for the sale of milk or Arg$300,000, whichever is lower. For small or medium-sized dairy industries: the maximum per user is Arg$500,000. Terms: - Investment: up to 8 years. - Working capital: up to 24 months.
Special terms for the production of cattle and meat (Segment II)			
	Farmers of beef cattle, pigs and poultry and other meat species, including cooperative associations.	Investment (building, adaptation or extension of facilities or infrastructure, purchase of new machinery or equipment manufactured in Argentina or imported if not available locally); genetic improvement and purchase of breeding animals; production of fodder and balanced feed; treatment of effluent. Working capital.	Amounts: - Investment: assessed on a case-by-case basis,, with a maximum of up to Arg$800,000 for a term of up to 5 years. - Working capital: not exceeding 20% of the total investment, for a term of up to 5 years. - Development costs: not exceeding Arg$300,000 for a term of up to 12 months.

[12] Online information from the Investment Promotion Agency, *Incentivos a la Inversión en Argentina*. Viewed at: http://www.inversiones.gov.ar/documentos/incentivos_inversion%20.pdf.

[13] Online information from the BNA, *Líneas de crédito para el sector agropecuario*. Viewed at: http://www.bna.com.ar/agro/ag_creditos.asp.

Programme	User	Purpose	Terms
Special terms for agricultural production and value added at origin			
	Micro, small and medium-sized farmers and/or agroindustrial companies throughout Argentina in any form of company or single-member companies, including brokers, service providers and cooperative associations.	Broad scope investment (building, adaptation or extension of facilities and rural infrastructure, purchase of new agricultural or agroindustrial equipment, purchase of machinery, equipment and facilities for setting up or upgrading local processing lines, application of a system to improve environmental treatment of contaminating residues, facilities and equipment for dealing with adverse weather conditions).	Maximum amount and percentage of support: - Investment: the percentage of support may be up to 100% of the amount requested. - Investment-related working capital: up to 20% of the total. Term: up to 10 years.
Financing of pig farming			
	Companies engaged in pig farming, throughout Argentina, in any form of company or single-member company.	Broad scope investment for pig farming. Investment-related working capital. Development costs.	Term: - Investment: up to 7 years. - Investment-related working capital: up to 5 years. - Development costs: up to 24 months. Interest: first 3 years; 16% TNA, bonus of 1 p.p.a. for compliance. As of the fourth year and until the end of the term, variable interest rate: Buenos Aires Deposits of Large Amount Rate (BADLAR) plus a fixed margin of 5 p.p.a. Amount: Arg$10 million per user combined for all purposes. - Investment: the percentage of support may be up to 100% of the amount requested. - Investment-related working capital: may not exceed 20% of the amount of the loan to be invested. - Development costs: up to 100% of the needs without exceeding the maximum.
Special terms for financing fruit-growing: pears and apples			
	MSMEs, agricultural cooperative associations and fruit farms engaged in production and/or services related to the growing of pears and apples.	Broad scope fixed investment and working capital in the unit for facilities packaging and processing pears and apples. Broad scope fixed investment and working capital in fresh fruit plants and industrialization. Facilities and equipment for dealing with adverse weather conditions and hazards in fruit orchards.	Term: - Investment: up to 5 years. - Development costs: 1 year. Percentage of support: - Investment: assessed on a case-by-case basis. - Investment-related working capital: up to 20% of the amount to be invested. - Development costs: up to 100% but not exceeding Arg$150,000. - For all purposes, the amount to be invested, the working capital and the investment-related working capital at a reduced rate of interest from the MAGyP may not exceed per company or economic group: pear and apple growers: Arg$500,000, packaging and processing plants: Arg$1,500,000; and cooperative associations: Arg$3,000,000.
Special terms for sowing grain 2012/2013 season			
	Cereal and oilseed MSMEs eligible for credit according to the rules of the BCRA and the BNA.	Development costs for sowing and related costs for growing maize, grain sorghum, wheat and sunflowers.	Type: in pesos. Maximum amount: up to Arg$150,000 per producer. Term: up to 270 days. - For maize, grain sorghum and sunflowers: period for agreeing on operations, from 1 June 2012 to 31 December 2012; time-limit for operations, up to 30 June 2013. - For wheat: date for agreeing on operations, from 1 April 2012 to 31 August 2012; time-limit for operations, 1 March 2013.

Programme	User	Purpose	Terms
Financing of investment in production for micro, small and medium-sized enterprises. Special terms for the purchase of domestically manufactured agricultural machinery			
	Agricultural producers throughout Argentina, including rural contractors and cooperative associations engaged in primary activities, with the exclusion of brokers.	Purchase of new agricultural machinery manufactured in Argentina, and appearing on the price lists of authorized firms.	Amount: the incentive applies for up to Arg$500,000. Term: up to 60 months. Interest rate: 15% TNA. Depending on the region, an additional bonus of 2 p.p.a (Norte Grande) plus a bonus for payment within the term: Norte Grande: 0.5 p.p.a; rest of the country: 1 p.p.a. The MAGyP also gives a further bonus of 4 p.p.a. and the BNA an additional 2 p.p.a.

Source: Online information from the BNA, *Líneas de crédito para el sector agropecuario*. Viewed at: http://www.bna.com.ar/agro/ag_creditos.asp.

33. The MAGyP conducts a series of programmes to finance and promote agriculture through its UCAR. The main one is the Provincial Agricultural Services Programme (PROSAP), which implements public investment projects at provincial and national levels in order to increase the coverage and quality of rural infrastructure and agrifood services. PROSAP also finances projects that facilitate adjustment of agricultural production to market demand as regards quantity, quality and safety, and encourages increased value added in the sector's production chains.[14] In particular, it funds initiatives to make small and medium-sized agricultural producers and agroindustrial and services micro, small and medium-sized enterprises (MSMEs) throughout Argentina more competitive, either for groups involved in the same production chain or to enhance the impact of public investment projects. PROSAP is a Federal programme, but is carried out on the basis of strategies drawn up by provincial governments with the objective of developing regional economies, focusing on the agrifood sector and paying particular attention to small and medium-sized producers.

34. Between 2006 and 2011, over US$455 million were disbursed under PROSAP, with financing from the Inter-American Development Bank (IaDB) and the World Bank for over 70 projects. In April 2008, the first loan contract for a CCLIP (Conditional Line of Credit for Investment Projects) was signed for an amount of US$200 million and a term of four years for implementation. In March 2009, a US$300 million loan was also obtained from the World Bank for a term of six years. The IaDB has mainly funded projects related to new tools such as the development of clusters, whereas the World Bank primarily supports regional development and transfer of innovation initiatives.

35. For public investment projects to be funded through PROSAP, the provinces must have a Provincial Strategy for the Agrifood Sector, a law on debt that enables the provincial authorities to have access to PROSAP financing, have their debt capacity formalized by the Secretariat for Finance and prove that the province has the counterpart resources for each project to be implemented.

36. The Rural Development Project for the North-Western Provinces (PRODERNOA) is a programme for investment in production and services in rural areas which facilitates access to the resources available to small farmers and vulnerable groups in the provinces of Catamarca, Tucumán and La Rioja. PRODERNOA provides technical and financial assistance, assists in project management and training in order to expand and diversify existing farms, foster technological change, provide capital for small production units and businesses and facilitate integration into markets. The aim of the technical assistance is to raise productivity in agricultural, agroindustrial and other non-agricultural rural economic activities, build the capacity for self-management and the

[14] Online information from the MAGyP, PROSAP: *Definición y Objetivos del Programa*. Viewed at: http://www.prosap.minagri.gob.ar.

organization of beneficiaries and incite better business management and links to markets. The goal of the financial assistance is to finance investment and the incorporation of production and marketing technology into PRODERNOA-approved projects. PRODERNOA completed its work on 31 December 2011, having disbursed US$20.6 million.

37. The goal of the Patagonia Rural Development Project (PRODERPA) is to lessen the vulnerability of the poor rural population in the region to social, production and environmental conditions and help to raise their living standards by building up assets for rural development with gender equality, paying special attention to indigenous communities and young people, and sustainable use of natural resources. It is being implemented in the provinces of Chubut, Neuquén, Río Negro and Santa Cruz and is financed by funds from the National Government, the International Fund for Agricultural Development (IFAD) and provincial counterparts. PRODERPA finances investment for collective use by organizations and associative projects for investment in sustainable fixed assets intended for production/marketing or the supply of production/business services, either through non-repayable financial support or through loans, depending on the beneficiary's profile. There is also a Working Capital Fund for Organizations (FOCO), which provides PRODERPA beneficiaries with non-repayable capital, and a Promotion Fund to provide the necessary working capital under the production development and market access plans. PRODERPA includes a contingency fund to finance the reorganization of farming or associative activities affected by adverse circumstances, as well as initiatives to develop small infrastructural works, by means of non-repayable contributions.

38. The Inclusive Rural Development Programme (PRODERI) was launched in 2012 and is a Government initiative financed in part by IFAD for the purpose of improving the social situation and productiveness of poor rural families and raising their incomes by increasing production, integration into value chains and the creation of work opportunities. The Programme is one of national scope, giving priority to provinces in the North-West and centre of Argentina, and is for a period of six years. The total amount of funds employed is US$116 million, of which US$57.9 million are in the form of IFAD loans (US$50 million from the Spanish Trust Fund and US$7.9 million from IFAD's own resources), while a further US$58.1 million are funds contributed by the Argentine National State.

39. MAGyP Resolution No. 302/2012 created the Single Register of Operators in the Food Processing Chain, to replace the Single Register of Operators in the Food and Agriculture Commercial Chain, set up by ONCCA Resolution No. 7.953 of 1 December 2008, which was repealed. The Register covers the markets for dairy produce, grains, meat and livestock, and poultry.

40. The Wheat Plus and Maize Plus programmes were implemented through ONCCA (Decree No. 2.315/2008) in order to further increased production of these crops in Argentina by granting direct fiscal incentives such as tax deductions. The programmes were implemented once only during the 2008/2009 season, with basic production (PB) set at 13 million tonnes of wheat and 15 million tonnes of maize. Any production surplus in excess of the PB was called Production Plus (PP) and was the subject of fiscal incentives.

41. The compensation scheme is a mechanism to boost development of agricultural activities and to stabilize food prices on the domestic market. The compensation consists of non-repayable support, decoupling domestic prices from those on international markets in such a way that the products covered by the scheme are sold at local prices on the domestic market. The scheme's basis is MEP Resolution No. 9/2007 of 11 January 2007, which set up a mechanism to grant subsidies through industrialists and operators which sell wheat, maize, sunflower-seed and soya bean-based products on

the domestic market. The eligibility criteria and the documents required differ according to the activity, as do the periods during which the scheme applies. The following activities are covered by the compensation scheme: dairy farmers (Arg$0.20/litre); breeding of Friesian calves; dairy industry; wheat flour mills; wheat growers; feed lots; pig farmers; poultry refrigeration plants; and maize flour mills.

42. The Dairy Farmers' Programme seeks to improve marketing conditions for smaller farms. Dairy farmers with average daily production of less than 12,000 litres receive non-repayable support, which is currently Arg$0.20/litre of milk for the first 3,000 litres produced. The programme is governed by SAGyP Resolution No. 513/2009 and is aimed at boosting the sector's sustained growth, raising farmers' incomes, guaranteeing supplies for the domestic market, generating fair prices for products for mass consumption and reinforcing the Argentine dairy industry's integration in the international market. To be eligible for this programme, dairy farmers must belong to bodies that have signed the Framework Agreement of 30 July 2009 with the authorities or have acceded to it on an individual basis.

43. The purpose of the compensation scheme for the dairy industry, regulated by ONCCA Resolution No. 1.984/2007, is to guarantee domestic supplies of dairy products for mass consumption at fair prices and in adequate quantities. Compensation is therefore given on the basis of the price per litre of raw milk to be used to produce dairy products for sale on the domestic market. The aim is to decouple domestic prices from international prices and promote sustained growth of the dairy sector, raising incomes for those working in the industry. In order to be eligible for the scheme, the producer must be properly registered as a processor or seller (of its own brand) of dairy products. For this scheme, as for the preceding one, compensation is determined on the basis of 85% of sales to the domestic market and is calculated as the difference between the selling price on the domestic market and a price determined by a MAGyP Resolution.

44. ONCCA Resolution No. 2.240/09 regulates the compensation scheme for breeding Friesian calves, under which one-off compensation of Arg$200 is given per male Friesian calf coming from a dairy farm (farm producing milk) and born on the same farm. The maximum number of calves for which compensation may be claimed is equivalent to 47% of the total number of cows declared by the farm.

45. The purpose of the compensation scheme for wheat growers, regulated by ONCCA Resolution No. 378/2007, is to ensure that wheat growers receive fair remuneration in relation to export values and to reconcile the interests of the various links in the agroindustrial chain. To be eligible for the scheme, wheat growers must be enrolled in the Fiscal Register of Operators Trading in Grains and Pulses. ONCCA Resolution No. 2.242/09 and amendments thereto establish a compensation mechanism for wheat flour mills or milling users producing "000"-type flour and selling it on the domestic market to be used for mass consumption products. Anyone seeking to obtain the compensation must first purchase the raw material from the producer at the "theoretical FAS price" determined for the date of the transaction.[15] On the basis

[15] Market Value Circular No. 441/2012 determines the theoretical FAS price for the following products: bread flour: Arg$1,132/tonne; maize: Arg$978/tonne; sunflower seeds: Arg$1,545/tonne; soyabeans: Arg$1,817/tonne; crude sunflower seed oil: Arg$3,650/tonne; crude soyabean oil: Arg$3,587/tonne. The FAS is determined on the basis of the respective export prices, calculating the f.o.b. value ex Argentine ports for each product according to a calculation methodology specified in SAGPyA Resolutions Nos. 331/2001 and 447/2006. For cereals, wheat and maize, the methodology is based on the f.o.b. price for grain, whereas for sunflower seeds and soyabeans, it is based on the f.o.b. prices for the oil and the pellets. Once the f.o.b. price ex Argentine ports has been determined, the FAS theoretical price is obtained by

of ONCCA Resolution No. 2.897/2010, wheat mills and/or milling users producing "0000"-type flour for the domestic market in 1 kg packages for domestic consumption are covered by the scheme. ONCCA Resolution No. 328/2007 gives similar incentives for maize mills in support of the price of maize flour, meal or grits intended for the domestic market. The scheme compensates for the difference between the product's market value and the domestic supply price, expressed in tonnes for quantities going to the domestic market. The compensation is determined monthly, after the end of the month, and the amount is the difference between the market price regularly published by the MAGyP, pursuant to SAGyP Resolution No. 42 of 18 January 2007, and the domestic supply price determined in MEP Resolution No. 19 of 12 January 2007 and amendments thereto.

46. ONCCA Resolution No. 746/2007 provides the legal framework for poultry slaughterhouses, which must be registered in the Register of Agricultural Slaughterhouses. The authorities have pointed out that the existence of this Register facilitates application of measures to improve sanitary control of poultry farms and slaughterhouses. The scheme allows poultry farmers to buy a certain volume of maize grains and/or soyabeans intended solely for feeding poultry at a subsidized price calculated as the difference between the theoretical FAS price, regularly published by the MAGyP for maize and soyabeans, and the domestic supply price determined in a resolution.[16] The subsidy available to each poultry farmer is determined and paid monthly, after the end of each month.

47. ONCCA Resolution No. 1.378/2007 and amendments thereto provide the legal framework for the scheme applicable to feed-lot cattle farmers. The beneficiaries are farms engaged in fattening feed-lot cattle using only feed composed of maize grains and other components for subsequent slaughter and sale on the domestic market, whether bred on the farm, bought or as a service to third parties. The beneficiaries must be enrolled in the Register of Cattle Fattening Establishments. The volume to be compensated is determined according to a rate of 7 kg of maize/daily per animal for converting feed into meat.

48. Table IV.3 shows that the incentives under the compensation schemes amounted to Arg$10,580 million over the period 2007-2011 (some US$2,956 million at the average exchange rate during this period). The main beneficiaries were wheat flour mills (35.6% of the total), the feed-lots programme (20.7%), poultry refrigeration plants (19.8%) and dairy farmers (10.4%).

deducting all the costs incurred during the export process (fobbing costs), which include costs relating to export duties and customs costs, purchase of the goods on the domestic market, loading and unloading, storage, phytosanitary inspection, use of the quay, processing costs, etc. The calculation is made in US dollars and the figure obtained is converted into pesos at the BNA's dollar buying rate.

[16] To determine the volume to be subsidized, the rate for converting feed into meat for maize grains and soya beans and the average weight of each animal slaughtered is calculated according to the following coefficients: 1.81 kg of maize per kg of meat and 0.81 kg of soya beans per kg of meat. The average slaughter weight is determined as 2.2 kg per animal slaughtered.

Table IV.3
Compensation schemes in the agricultural sector: resolutions approved and amounts, 2007-2011

Heading	Total number of resolutions approved	Amount (Arg$)
Feed-lots	961	2,195,367,371.59
Poultry refrigeration plants	443	2,100,080,898.39
Maize flour mills	40	23,181,734.25
Wheat flour mills	1,036	3,771,093,250.49
Small and medium-sized wheat and maize growers	671	33,953,248.98
Wheat growers	313	345,350,837.74
Dairy farmers	267	1,097,211,468.99
Dairy farmers breeding calves	312	10,413,600.00
Dairy industry	181	616,091,959.74
Oil industry	24	282,200,831.61
"0000" flour mills	4	15,317,175.60

Source: MAGyP.

(ii) Forestry

49. The MAGyP is the body responsible for drawing up and implementing forestry plans, programmes and policies, for coordinating and reconciling the interests of the National Government, the provinces and the various subsectors.[17] The Secretariat for Agriculture, Livestock and Fisheries (SAGyP), which is part of the MAGyP, assists with the implementation of plans, programmes and policies for the forestry subsector, in coordination with provincial governments. The objective of the National Agricultural Technology Institute (INTA) is to contribute towards the competitiveness of forestry and industrial forestry throughout Argentina. SENASA and the National Seed Institute (INASE), which also come under the MAGyP, have responsibility for forest health and control and inspection of seeds in forest nurseries.

50. The Forestry Production Directorate, attached to the National Directorate of Agricultural and Forestry Production in SAGyP's Undersecretariat for Agriculture, assists in formulating and carrying out the responsibilities defined, administers Law No. 25.080 on Investment in Cultivated Woodland and its current extension, Law No. 26.432 (see below) It also monitors compliance from the technical, legal and accounting standpoint. The Forestry Production Directorate helps to coordinate the project for sustainable management of natural resources implemented by the MAGyP, together with the Secretariat for the Environment and Sustainable Development (SAyDS) and the sustainable forest plantations component of the National Parks Administration, with a loan from the World Bank.

51. The legal framework governing the forestry subsector comprises the Law on Promotion of Forestry Activity (Law No. 13.273, approved by Decree No. 710/95 of 13 November 1995); the Fiscal Stability Law (Law No 24.857 of 6 August 1997, as amended); the Law on Investment in Cultivated Woodland (Law No. 25.080 of 16 December 1998), its extension (Law No. 26.432 of 26 November 2008) and its implementing Decree No. 133/99; and Resolutions Nos. 610/99, 152/00, 22/01, 220/07, 390/07, 102/2010, 91/11, 810/11 and 281/12, *inter alia*.

52. Argentina has notified the WTO that its forestry legislation allows for the payment of subsidies.[18] The total non-repayable amounts disbursed as economic support notified for the period 2006-2010 amounted to Arg$286 million (roughly US$84.5 million at the average exchange rate during the period).

[17] Online information from the MAGyP: *Producción forestal*. Viewed at: http://64.76.123.202/new/0-0/forestacion/direccion/direc2.htm.
[18] WTO document G/SCM/N/220/ARG of 10 February 2012.

53. Under the Law on Promotion of Forestry Activity (Law No. 13.273), the subsidies are granted in the form of customs exemptions. Decree No. 710/95 provides for the payment of a set amount per hectare to the owners of cultivated forests. The Fiscal Stability Law (Law No 24.857 of 6 August 1997, as amended) provides fiscal stability for all forestry activities and any exploitation of forests covered by Law No. 13.273.

54. The Law on Investment in Cultivated Woodland establishes incentives to be granted by the National State in order to promote harmonious development of the forestry subsector. The activities promoted include the planting of woodland, its maintenance, management, irrigation, protection and harvesting, research and development, as well as timber processing, when these all form part of an integrated forestry undertaking. The MAGyP's SAGyP is the implementing authority. The term of the Law was originally ten years as of its enactment and publication in the Official Journal on 19 January 1999, but Law No. 26.432 of 29 December 2008 extended it for a further ten years. The Law provides fiscal incentives such as exemption from stamp duty, fiscal stability for all taxes except for VAT for 30 to 50 years, advance refund of VAT and early amortization of the costs incurred for accounting purposes when calculating income/profits tax (IG).

55. The Law on Investment in Cultivated Woodland also provides for the refund of VAT on certain goods and services intended for investment in forestry. Non-repayable economic support is provided for planted forests covering no less than 500 hectares (700 hectares in Patagonia) based on a scale set out in Law No. 25.080; this incentive is also available for forestry activities (pruning, thinning and management of after-growth). Both Argentine investors and foreign investors domiciled in Argentina are eligible for these incentives.

56. Resolution No. 102/2010 gave a 10% increase in payment of the economic support established by Law No. 25.080, amended by Law No. 26.432, for planting and fortification of native woodland comprising native and exotic species of high commercial value.

(iii) Fisheries

57. The Federal Law on Marine Fishing or Law No. 24.922 of 6 January 1998, its implementing Decree No. 748/99 and amendments thereto, Law No. 25.470 of 18 September 2001, and Law No. 26.386 of 28 May 2008, constitutes the legal basis regulating fishing in Argentina.

58. The MAGyP's Undersecretariat for Fishing and Aquaculture is responsible for implementing Argentina's fisheries policy. The Federal Council of Fisheries (CFP) was created by the Federal Law on Marine Fishing and is responsible for developing national fisheries policy.[19] The State has exclusive dominion and jurisdiction over all living resources present in Argentina's Exclusive Economic Zone (EEZ)[20] and on the Argentine continental shelf as of 12 nautical miles; living resources in Argentina's internal waters and the territorial sea adjacent to its coastlines, extending up to 12 nautical miles, fall under the dominion of the provinces on the seaboard. The Continental Fishing and Aquaculture Commission (CPCyA) was set up at the initiative of the Undersecretariat for Fishing and Aquaculture, within the framework of the Federal Council for Agriculture (CFA), by Resolution No. 9 of 11 November 2004. The basic objective of the CPCyA is to harmonize integrated management policies at the level of the catchment basin for the sustainable and responsible use of continental fisheries resources. The Commission is chaired by the Undersecretariat for Fishing and Aquaculture and comprises the seven provinces along the Paraná River: Misiones, Chaco,

[19] Law No. 24.922 of 9 December 1998, partially enacted on 12 January 1998.
[20] The EEZ extending 200 miles from the baselines.

Formosa, Corrientes, Santa Fe, Entre Ríos and Buenos Aires, together with one representative from SAyDS and one from SENASA.

59. The Federal Law on Marine Fishing provides that living marine resources in marine areas under Argentine jurisdiction may only be exploited by natural persons domiciled in Argentina or legal persons under private law established and operating in accordance with Argentine law. Vessels used for fishing in Argentina's EEZ must be listed in the national register and fly the national flag. Catches must also be unloaded from fishing vessels in Argentine ports, except in cases of *force majeure* and subject to authorization. The captains and officers must be of Argentine nationality. 75% of the remaining crew members must be Argentine or foreigners with over ten years of proven permanent residence in Argentina. The Federal Law provides for waivers from the national flag requirement in certain circumstances, for example on the basis of international treaties approved by law on the catching of unexploited or under-exploited species.

60. Pursuant to the provisions in the Federal Law, an authorization from the relevant authority is required in order to engage in fishing. In addition, a fishing quota must be allocated or a fishing permit obtained if the species is not subject to a quota. The authorization may be in the form of: (i) a fishing permit entitling Argentine-registered vessels to engage in commercial fishing for the purpose of extracting living species from waters under Argentine jurisdiction; (ii) a permit to fish on the high seas, entitling Argentine-registered vessels to engage in commercial fishing on the continental shelf, outside the EEZ, on the high seas or in the waters of third countries with a licence; (iii) a temporary fishing permit granted to bareboat chartered vessels and foreign-registered vessels operating under the special conditions prescribed in the Federal Law; and (iv) a fishing authorization, allowing limited quantities of marine living resources to be caught for the purposes of scientific or technical research.

61. Fishing permits are granted for a period of up to ten years and to a specific vessel. When granting permits, the Federal Council of Fisheries must, by law, give priority to: vessels with a majority of Argentine crew; vessels built in Argentina; and the most recently built ships. Permits may be extended for up to 30 years for a particular vessel owned by a company with processing facilities in Argentine national territory and which process and prepare fisheries products in these facilities on a continuous basis.

62. Under the Treaty of Rio de la Plata and the Corresponding Maritime Boundary, approved by Law No. 20.645 of 18 February 1975, Argentina and Uruguay share a common marine fishing zone in which vessels registered in both countries may operate.

(3) MINING AND HYDROCARBONS

(i) Main features

63. In 2011, mining and quarrying accounted for 3.1% of the GDP. In 2011, 517,500 workers were employed in the sector, versus 196,000 in 2006: 36,000 worked in metallurgical plants, 21,000 in the oil and gas industry, 16,000 in mineral extraction, and 7,000 in the cement industry.[21] Exports of mining products totalled some US$8,300 million in 2010 (including fuels). Mining activities are

[21] Online information from the MEFP, *Información Económica al Día*. Viewed at: http://www.mecon.gov.ar/peconomica/basehome/infoeco.html.

mostly in private hands, both foreign and national; there are only two State-owned enterprises in the sector.[22]

64. Argentina is the fourth largest producer of crude oil in Latin America. Its oil output has enabled it to be self-sufficient since the 1980s. Output, however, fell each year during the period under review, from 38.37 million m^3 in 2006 to 33.23 million m^3 in 2011.[23] These figures are markedly below those for the peak year of production, 1998, when output reached 49.15 million m^3.[24] Exports of oil fell over the period under review, from 5.63 million m^3 in 2006 to 3.43 million m^3 in 2011. These levels are far below the level of exports in 2001, which amounted to 16.36 million m^3.

65. Proven reserves of oil amount to 400 million m^3. Argentina's network of pipelines is over 6,000 km. long. There are ten oil refineries with total capacity of over 600,000 bpd.[25] The hydrocarbons sector absorbs 22% of total foreign investment in Argentina. Most crude oil and natural gas production is in the hands of multinational companies. The main player in the hydrocarbons market is YPF, which was renationalized by the State in 2012 (see below).

66. Natural gas production declined during the period under review, from 51.8 million m^3 in 2006 to 45.5 million m^3 in 2011, while demand grew, so imports have increased. Argentina has been a net importer of natural gas since 2008, mainly from the Plurinational State of Bolivia. In 2011, imports amounted to 6.9 million m^3, compared to 1.67 million m^3 in 2006. Exports, on the other hand, fell from 6.3 million m^3 in 2006 to less than 213,000 m^3 in 2011 because of increased domestic demand and higher export duty on natural gas, from 45% to 100% in 2008 (see below). About one third of the supplies to the Argentine market is for industrial consumption, another third goes to the electricity industry, some 20% is for household use, 9% for the production of natural gas for vehicles (NGV) and the rest for other uses. Gas distribution is in the hands of nine private licence-holders, whilst two private companies control transportation. Argentina is linked by pipeline to neighbouring countries, through which it both exports natural gas to Chile and imports gas from the Plurinational State of Bolivia. The Government has reacted with measures revolving around an Energy Plan, and leading, *inter alia*, to the creation of an Electronic Gas Market (MEG).[26]

[22] Yacimientos Mineros de Agua de Dionisio (YMAD) and Fomento Minero de Santa Cruz.

[23] According to the Argentine Oil and Gas Institute (IAPG), there was a 55% increase in the number of wells actually operating. Nevertheless, despite more investment in secondary recovery and in drilling new wells, average output per well fell by 51%, from 9.2 m^3 to 4.5 m^3 (online information from IAPG, *Producción de Petróleo: Anual*. Viewed at: http://www.iapg.org.ar/estadisticasnew/produccionoilanualpais2.htm).

[24] Online information from the IAPG, *Producción de petróleo: datos históricos*. Viewed at: http://www.iapg.org.ar/estadisticasnew/historicospetroleopais2.htm.

[25] Bahía Blanca (Petrobras), with output capacity of 9,500 bpd of gasoline and 13,200 bpd of other products; Campana (ESSO, 84,500 bpd), Campo Durán (REFINOR, 32,000 bpd); Dock Sud (City of Buenos Aires, SHELL/DAPSA, 110,000 bpd), La Plata (YPF, 189,000 bpd), Luján de Cuyo (YPF, 105,500 bpd), Plaza Huincul (Neuquén, Petrolera Argentina, 37,190 bpd); San Lorenzo (Santa Fe. Cristóbal López, 38,000 bpd); M&C Petrol (Río Negro). The tenth refinery, Refinadora Neuquina SA (RENESA), started production in February 2012 (online information from ECYT-AR, *Destilerías de petróleo en Argentina*. Viewed at: http://cyt-ar.com.ar/cyt-ar/index.php/Destiler por cientoC3 por cientoADas_de_petr por cientoC3 por cientoB3leo_en_Argentina).

[26] The creation of the MEG follows the line established in Decree No. 2.731/93, which underscores the need to "ensure the existence of a competitive market with conditions allowing optimum price formation, to the benefit of consumers" (see also online information from the Electronic Gas Market at: http://www.megsa.com.ar).

(ii) Mining (excluding hydrocarbons)

67. The legal framework for mining has not changed to any great degree since the previous Review of Argentina; it includes the Mining Code, approved by Decree No. 456/97 of 21 May 1997, and Law No. 24.196 (Mining Investment Law), its amendment (Law No. 25.429 of 1 June 2001), and its implementing regulations contained in Decree No. 26.86/93, as amended by Decree No. 1.089/2003 of 7 May 2003. It further includes Law No. 24.224 of 8 July 1993 (Mining Reorganization), Law No. 24.228 of 26 July 1993 (Federal Mining Agreement), Law No. 24.498 of 14 June 1995 (Mining Upgrading), Law No. 24.523 of 9 August 1995 (National Mining Trade System), and Law No. 24.585 of 1 November 1995 (environmental protection for mining activities).

68. The exploitation and exploration of mines, concessions and other relevant acts are deemed to be of public utility. The main outline of Argentina's mining policy can be found in the 2004 National Mining Plan. More recently, policies have been adopted to boost the creation of business opportunities for companies in the sector, together with an import substitution process for the inputs and services used (see below).

69. Pursuant to the Mining Code, mines are the private property of the nation or the provinces, depending on where they are situated (Article 7). Nevertheless, individuals are given the right to prospect for mines, operate and utilize them as owners. Although the Federal Government coordinates mining activities, the provinces are responsible for drawing up their own policies and managing their mining resources.

70. The Mining Code provides that the holder of a mining concession is the owner of an *in rem* property right, comparable to an ownership right. This right given by the concession is exclusive, not time-bound, assignable by contract or following death, and may be mortgaged. No fee is payable for the granting of a mining concession, but a regular royalty must be paid in order to keep it. The decision on the concession depends on the category of mine. Mines in the first substance category (the larger metal-bearing, non-metal bearing, solid mineral fuel and geothermal source mines) are attributed to their discoverer. Mines in the second substance category (metal-bearing substances not included in the first category, salt, saltpetre and peat mines) are usually attributed to the owner of the land and, if he does not take up the preference, to the discoverer. Mines in the third substance category (rock for construction) belong exclusively to the owner of the land. Any Argentine or foreign natural or legal person with capacity to acquire rights may become the owner of mining exploration and exploitation rights for the substances that may be conceded in the first and second categories.

71. Exploration concessions are granted for 500-hectare units or fractions thereof and may be for up to 10,000 hectares. The same person may not own more than 20 concessions in any one province, in other words 200,000 hectares. Concessions may be joint or individual. The owner of the concession must submit a minimum work plan to the mining authority. The maximum time-limit allowed for exploration is 1,100 days for each 10,000-hectare concession. The concession may be annulled ex officio or at the request of a party if the work plan submitted is not respected. A one-off royalty has to be paid for exploration at the time the application is submitted; the amount is Arg$400 per 500-hectare unit or fraction thereof. National, provincial and municipal regulations give tax exemption for five years as of the date of registration of the mine for the exploitation of minerals, including their marketing. This incentive is combined with others provided by the laws to promote mining (see below).

72. Mining concession holders must pay an annual operating royalty to the National State or provincial state granting the concession for it to remain in force. This royalty is paid twice a year in two equal instalments. The amount, which starts to be payable as of the fourth year of the mine's registration, is currently determined by Law No. 24.224 on Mining Reorganization and is fixed according to the category of mine. The rate is Arg$80 annually for mines in the first category and Arg$40 for those in the second category.[27] In addition to paying the mining royalty, in order to retain the concession, the holder must invest no less than 300 times the value of the annual royalty payable for the concession in fixed assets for the mine's operation. This investment must be made within five years, with 20% invested in each of the first two years and the balance in the remaining three years.

73. The provinces have their own procedural regulations for exercise of the rights regulated in the Mining Code. Likewise, the terms and methods for calculating and paying provincial royalties are subject to provincial regulations. Law No. 24.196 on Mining Investment sets a ceiling of 3% of the value of the mineral at the pithead for provinces following this law.[28] In October 2012, in addition to the royalty fixed by the National Government, seven provinces (Catamarca, Chubut, Jujuy, La Pampa, Salta, San Juan and Santa Cruz) imposed royalties inversely to the mineral's value added in the provincial territory. Over and above the royalties applicable, Law No. 24.224 of 8 July 1993 provides that companies in the sector must pay a "mining royalty" comprising a fixed amount per mine and an additional amount for every 100 m^2 explored.

74. Duty is payable on the export of mining products. Resolution No. 11/2002 of the former Ministry of the Economy and Infrastructure determined export duties of 5 and 10% for a series of goods, including metal minerals and their concentrates.

75. Resolution No. 762 of the former Ministry of the Economy and Public Works and Services (MEyOySP) of 8 July 1993 and its amendment No. 479 of 23 April 1998 established a special drawback regime for exports of mineral substances and specified byproducts included in the NCM that meet certain criteria and had received certificates of origin from the Undersecretariat for Mining, pursuant to Resolution No. 130 of 13 August 1993 of the former Secretariat for Mining.

76. Argentina has several incentive mechanisms for the mining sector. During the period under review, it notified the WTO that it uses various laws as instruments for granting subsidies (in different forms) to the mining sector.[29] According to Argentina's notifications, the purpose of those laws is to encourage mining activities so as to further the country's development, ensure the rational exploitation of mining resources, generate employment and diversify regional economies. The subsidies granted by Argentina are mostly in the form of tax reductions and exemptions (Laws Nos. 10.273 and 24.196), fiscal stability (Law No. 24.196) or tax waivers (Law No. 24.228). The incentives granted under Law No. 22.095 ceased to apply in 2008. The legislation does not set any time-limit for the other programmes. Argentina's notifications show that the amounts disbursed to promote mining

[27] Online information from the National Secretariat for Mining, *Principales Aspectos de la Legislación Minera Argentina*. Viewed at: http://www.mineria.gov.ar/codigominero.htm.

[28] "Mineral at the pithead" is deemed to be the mineral extracted, transported and/or amalgamated prior to any form of processing.

[29] The laws notified during the period under review included the following: Law No.10.273; Law No. 22.095, which ended in 2008; Decree No. 554/81; Law No. 24.196; Decree No. 1.591/93; Law No. 24.228; Law No. 24.402; Decree No. 2.686/93; Decree No. 779/95; Decree No. 216/96; Decree No. 1.343/99; Decree No. 349/00; Decree No. 1.188/01; Decree No. 1.089/03; and AFIP General Resolution No. 2.019/06 (WTO documents G/SCM/N/155/ARG of 10 April 2008 and G/SCM/N/220/ARG of 10 February 2012).

over the period 2006-2010 added up to a total of Arg$893.01 million (around US$264 million at the average exchange rate for that period), of which Arg$795.67 million were for incentives granted under Law No. 24.196 (Table IV.4).[30]

Table IV.4
Amounts disbursed to promote mining, 2006-2010
(Arg$ million)

	2006	2007	2008	2009	2010	Total
Law No. 24.196	75.1	82.0	156.31	230.98	251.28	**795.67**
Tax reductions	30.5	18.3	22.9	73.9	23.5	**95.2**
Law No. 22.095[a]	1.6	0.54	0.0	0.0	0.0	**2.14**
Total	**107.2**	**108.84**	**179.21**	**304.88**	**274.78**	**893.01**

a Terminated in 2008.

Source: Secretariat for Mining, Ministry of Federal Planning, Public Investment and Services.

77. Estimates of the tax costs of MEFP economic promotion schemes, including estimates of the income foregone because of the granting of incentives, show that, in the case of Law No. 24.196, the tax cost amounted to Arg$390.5 million (some US$105.5 million) in 2009 and Arg$452.3 million (US$116 million) in 2010.[31] In 2011, this figure rose to Arg$506.5 million (US$123.5 million).[32] The tax cost represented 0.03% of GDP.

78. Incentives under Law No. 10.273 are available for mines given to individuals under concessions. All natural persons domiciled in Argentina and legal persons incorporated in the country or authorized to act within its territory who are engaged in mining activities are eligible for the incentives under Law No. 24.196. Law No. 24.228 calls on the provinces to eliminate taxes on mining activities from their legislation.

79. The majority of the fiscal incentives given to the mining sector are granted under Law No. 24.196. This Law sets the rules for the fiscal treatment of investment in mining, except for hydrocarbons, cement production and sand for construction. It grants fiscal stability for all taxes for 30 years for investment in the sector as of the date of submission of the relevant feasibility study.[33] Capital investment in projects benefits from the optional regime for writing off the IG over three years. Capital goods and special equipment, components and spare parts for such goods and inputs imported for use in mining operations are exempt from import duties, including the statistical fee.[34] The Law allows for a 100% deduction of the IG on all sums invested in expenditure on

[30] WTO documents G/SCM/N/155/ARG of 10 April 2008 and G/SCM/N/220/ARG of 10 February 2002.

[31] Tax cost means the amount of income which the Treasury foregoes when granting any tax treatment that differs from the general regime in the tax laws, in order to encourage specific activities, zones, taxpayers or consumption (see Ministry of the Economy and Public Finance, 2012b).

[32] Of the total tax cost in 2011 (Arg$506.5 million), Arg$145.3 million corresponded to incentives related to the IG, Arg$202.7 million to exemptions from various taxes, Arg$141.7 million to exemptions from import taxes, and Arg$16.8 million to exemptions from export taxes (see Ministry of the Economy and Public Finance, 2012b).

[33] According to the provisions in Law No. 24.196, fiscal stability applies to all taxes, meaning direct taxes, levies and tax contributions, payable by the companies registered, as well as tariffs and other import or export duties. Fiscal stability implies that the companies engaged in mining under the Investment Regime in Law No. 24.196 will not see their overall tax burden increased.

[34] If these goods are re-exported or transferred to another activity not covered by Law No. 24.196, the duties, taxes and levies applicable at that time must be paid.

determining the technical and economic feasibility of projects and a 200% deduction of exploration costs for the purpose of calculating this tax.[35]

80. Beneficiaries of the mining investment scheme under Law No. 24.196 are exempt from the tax on assets as of the fiscal year in which they enrolled in the register of beneficiaries kept by the Secretariat for Mining.

81. Mining investment in exploration projects and direct expenditure (on Argentine or imported goods and services), on prospection, exploration, mineralogical testing and applied research for which VAT has not been refunded within one year also benefit from a special scheme for advance refund of this tax. This scheme is automatic and is subject to verification and control by the Secretariat for Mining and by AFIP-DGI; it is governed by Article 14 bis of the Mining Investment Law, enacted by Law No. 25.429 of 1 June 2001. Beneficiaries must be enrolled in the Mining Investment Law's Register at the National Mining Directorate in the Secretariat for Mining.

82. Resolution No. 12/2012 of 14 May 2012 of the Secretariat for Mining makes it compulsory for companies in receipt of benefits under Law No. 24.196 to use Argentine companies to ship their exports of minerals or byproducts by sea, river, land or air (see section (6)(v)).[36] If the goods have to be transhipped prior to reaching their final destination, the cargo preference has to be considered for each leg, unless the cargo cannot be transported by Argentine companies either because there is no hold space or vessel, vehicle or aircraft available, or there are international bilateral or multilateral agreements between Argentina and other countries.

83. The foregoing is part of the overall policies for implementing measures to encourage the supply of inputs, goods and services by local firms. Accordingly, in April 2011, the Mining Approval Committee was set up for the purpose of creating business opportunities for local mining supply companies by substituting imports of machinery, equipment and spare parts, services and inputs, as indicated in the preamble to Resolution No. 12/2012 of the Secretariat for Mining.[37] The Mining Approval Committee is a working committee in which the Secretariat for Mining, the Secretariat for Industry and Trade, the Argentine Chamber of Mining Services (CASEMI), the Argentine Chamber of Mining Entrepreneurs (CAEM), the Argentine Mining Workers' Association (AOMA) and mining operators, public mining companies and suppliers throughout Argentina all participate.

84. The first Mining Approval Committee was convened in April 2012 by the Secretariat for Mining, especially to approve the national inputs and services to be used in mining so as to boost their purchase in Argentina and substitute imports for over Arg$1,400 million. Through this mechanism, the idea is to approve products of Argentine origin by certifying them so that they can meet demand by mining exploration and production undertakings. The Committee also assesses needs for inputs and services for mining projects in order to identify opportunities for developing new

[35] For this purpose, each year, within 30 days of the time-limit for submitting the sworn declaration of IG, those registered under the scheme in Law No. 24.196 must submit a sworn declaration indicating the work and the investment actually carried out.

[36] Pursuant to Resolution No. 12/2012, a company is deemed to be an Argentine company if its purpose is river, overseas, land or air transport, if it has been incorporated according to the laws of the Argentine Republic and has its head office in Argentina.

[37] MEP, Secretariat for Mining, Mining Activities, Resolution No. 12/2012. Viewed at: http://www.cda-argentina.org.ar/index.php?option=com_content&view=article&id=11435:resolucion-nd-122012-secretaria-de-mineria&catid=54&Itemid=90. This Resolution can also be viewed at: http://infoleg.gov.ar/infolegInternet/anexos/195000-199999/197941/norma.htm.

local suppliers. In other words, matching demand to current and potential national supply, on the one hand and, on the other, meeting demand with Argentine products as far as possible. It is hoped in this way to create more business opportunities for Argentine companies, especially SMEs supplying local mines, and to encourage investment in new national services undertakings.[38]

(iii) Hydrocarbons

(a) Legal framework

85. The Secretariat for Energy in the Ministry of Federal Planning, Public Investment and Services (MPFIPS) is responsible for proposing, coordinating, implementing and monitoring national policy in the energy sector.[39] The MPFIPS' Undersecretariat for Fuels is in charge of proposing, coordinating, implementing and monitoring national hydrocarbons policy. The MPFIPS also regulates the gas industry.

86. The main regulatory framework for the exploration and exploitation of hydrocarbons includes the Mining Code, Law No. 12.161 of 21 March 1935, and Law No. 26.154 of 11 October 2006, which introduced promotional schemes for the exploration and exploitation of hydrocarbons. Law No. 17.319 of 23 June 1967 (Hydrocarbons Law) remains in force for permits and concessions already granted and for processing, transportation and foreign trade in hydrocarbons.

87. Law No. 24.145 of 24 September 1992 and the subsequent 1994 constitutional reform transferred to the provinces the control of hydrocarbons reserves situated on their territory. Two types of regime are therefore currently in force in the hydrocarbons sector: on the one hand, the permits and concessions granted exclusively by the Federal Government, which remain under Federal jurisdiction and are governed by Law No. 17.319, of national scope; and, on the other, contracts under provincial jurisdiction.

88. Companies operating under the Hydrocarbons Law must pay royalties of up to 12% for natural gas and petroleum exploitation. These royalties are paid to the various provinces, except for those corresponding to offshore areas, which are collected by the National State. The amount collected in 2011 was US$339.7 million for crude oil, US$62.9 million for natural gasoline, condensate and liquefied petroleum gas (LPG), and US$360.9 million for natural gas. Concessions operated under Law No. 17.319 are also subject to an annual fee per surface unit.

89. Law No. 25.943 of 2 November 2004 (Law on Energía Argentina S.A.) created the company *Energía Argentina S.A.* (ENARSA) to be responsible, either alone or through third parties or jointly with third parties, for the surveying, exploration and exploitation of solid, liquid and/or gaseous hydrocarbons reserves, the transport, storage, distribution, marketing and processing of such products and their direct and indirect byproducts, as well as for providing the public service of transporting and distributing natural gas and for the generation, transport, distribution and marketing of electric power. ENARSA has ownership of exploration permits and exploitation concessions for all Argentina's marine areas not subject to prior permits or concessions. It may intervene in the market to prevent the abuse of a dominant position caused by the emergence of monopolies or oligopolies.

[38] Online information from the MPFIPS, *Primera mesa de homologación para intensificar el compra nacional en minería*. Viewed at: http://www.minplan.gov.ar/notas/538-primera-mesa-homologacin-intensificar-el-compre-nacional-minera.

[39] Online information from the MEP, Secretariat for Mining. Viewed at: http://mineria.mecon.gov.ar.

90. Law No. 26.741, published on 7 May 2012 (Law on Yacimientos Petrolíferos Fiscales) lays down the following principles for Argentina's current hydrocarbons policy: encouraging the use of hydrocarbons and their byproducts as a factor for development and increased competitiveness; the conversion of hydrocarbons resources in proven reserves and their exploitation, and the replacement of reserves; integration of national and international public and private capital in strategic alliances for the exploration and exploitation of conventional and non-conventional hydrocarbons; optimum use of investment and resources to achieve self-sufficiency in hydrocarbons in the short, medium and long terms; incorporation of new technologies and managerial methods that help to improve exploration and exploitation of hydrocarbons; promotion of the processing and marketing of hydrocarbons with high value-added; and the defence of consumers' interests in relation to the price, quality and availability of hydrocarbons byproducts. Another policy objective identified is to obtain surpluses of exportable hydrocarbons in order to improve the balance of payments.

91. Law No. 26.741 declared self-sufficiency in hydrocarbons to be a matter of national public interest, together with the exploration, exploitation, processing, transport and marketing of hydrocarbons. It also declared 51% of the assets of YPF S.A. and Repsol YPF Gas S.A. to be of public utility and therefore subject to expropriation. The Law provided that 51% of the shares subject to expropriation in the companies YPF S.A. and Repsol YPF Gas S.A. should be transferred to the National State and 49% to the provinces belonging to the Federal Organization of Hydrocarbons-Producing States, in line with the levels of hydrocarbons production and proven reserves in each of them. It also determined that the appointment of the directors of YPF S.A. to be nominated to represent the shares subject to expropriation should be in proportion to the holdings of the National State and the provincial states and that a director should be appointed to represent the company's workers. The Law also prescribed a ban on future transfer of shares without authorization from the National Congress, adopted by two-thirds of its members. It provides for the legal and operational continuity of YPF S.A. and, in order to comply with its objective and purpose, authorizes YPF S.A. to turn to external or internal funding sources and to enter into strategic associations, joint ventures, temporary associations of companies or any type of business association or collaboration with other Argentine or foreign public, private or semi-public companies.

92. Law No. 26.741 also created the Federal Hydrocarbons Council to promote coordinated action by the National State and the provincial states on hydrocarbons policy.[40]

93. Pursuant to SE Resolution No. 1.679/2004 of 23 December 2004, production, marketing and refining companies or any other market operator wishing to export liquid or gaseous hydrocarbons must register the operation(s) with the National Refining and Marketing Directorate of the Undersecretariat for Fuels in the Secretariat for Energy for prior approval. Registration is a mandatory requirement for export of these products. Authorization has to be obtained from the Secretariat for Energy for the export of crude oil and requires prior proof that demand from all the refineries authorized to operate in Argentina has been duly met or that local refineries have been given the opportunity to buy the crude oil.

94. According to the provisions in Law No. 25.561 of 6 January 2002 (Public Emergency and Exchange Regime Reform Law), export duty is payable on exports of hydrocarbons (Chapter III(3)(ii)).[41] The export duty on exports of crude oil varies according

[40] The Council is composed of the MEFP, the MPFIPS, the Ministry of Labour, Employment and Social Security and the Ministry of Industry, through their respective office holders, and of representatives of the provinces and the Autonomous City of Buenos Aires (CABA).

[41] Title IV, Article 6, of Law No. 25.561 of 6 January 2002 introduced export duty for hydrocarbons for a period of five years. Law No. 26.217 of 16 January 2007 extended it for a further five years.

to international oil prices and is governed by MEyP Resolution No. 394/2007[42] as amended by MEyFP Resolution No. 1/2013. For exports of natural gas, the rate is 100% for tariff headings NCM 2711.11.00 and 2711.21.00 and 45% for propane gas, with a special adjustment scheme.[43] In the former case, the duty applicable will be equal to the highest value of imports recorded during the current month, as this is the basis on which the 100% rate is calculated. For LPG, the export duty is a minimum of 45% and varies depending on international price trends.

95. Law No. 23.966 of 15 August 1991 and amendments thereto provide that petroleum products are subject to the Fuels and Natural Gas Transfer Tax (see below). If the resulting tax is less than a certain minimum, that minimum must be paid.[44] Law No. 26.074 of 9 January 2006 permits exemption from the Tax on Liquid Fuels and Natural Gas, the Tax on Gas Oil and any other special tax to be imposed in future on this fuel in the case of imports and sales of gas oil and diesel oil on the domestic market in order to meet peaks in demand. Annual quotas are set for this purpose; for 2012, Law No. 26.728 of 27 December 2011 (which approved the General Budget for the National Administration for the 2012 Financial Year) authorized the import of 7 million m^3 of gas oil and diesel oil without payment of the Fuels and Natural Gas Transfer Tax and this volume may be increased by up to 20% depending on the assessment of needs to be conducted jointly by the Secretariat for Finance, attached to the Ministry of the Economy and Public Finance (MEFP), and the Secretariat for Energy.

96. Resolution No. 25/2006 of the Secretariat for Domestic Trade establishes rules on the marketing, intermediation, distribution and/or production of gas oil, mainly intended to ensure the supply of liquid hydrocarbons and their byproducts (more specifically gas oil).[45] The Resolution requires refining companies and/or wholesale and/or retail sellers "to cover in a reasonably justified manner all demand for gas oil, in the amounts requested from them in keeping with customary market practices". The volumes marketed must be at least as much as those supplied in the same month of the preceding year, plus the positive correlation between increased demand for gas oil and the increase in GDP, cumulated from the reference month up to the current date. The Secretariat for Domestic Trade was empowered to apply the procedures foreseen in Law No. 20.680 of 20 June 1974 or Law on Supply and Repression of Speculation (see Chapter III(4)(ii)).

[42] Pursuant to MEP Resolution No. 394/2007 of 15 November 2007, export duty of 45% applies to the hydrocarbons listed in Annex I to the said Resolution (NCM tariff heading 2709.00 and some items in sub-chapter 2710) when the price is lower than the reference price determined in the Resolution (US$60.9/barrel for crude oil; rates ranging from US32 to US$252/barrel for other hydrocarbons of NCM heading 2710 listed in Annex I). If the international price is the same as or above the benchmark, the amount of the export duty is calculated according to the following formula: d = [(Pi-Vc)/Vc]*100, where: d: = export duty; Pi = international price; VC = cut-off value (reference price). The rate applicable to crude oil (27.0910) also applies to the products listed in Annex II, as appropriate.

[43] MEP Resolution No. 534/2006 of 14 July 2006 and the amendment thereto in MEP Resolution No. 127/2008. For propane gas, if the international price is the same as or above the benchmark, the rate of export duty is calculated according to the following formula: d = [(Pi-Vc)/Vc]*100, where: d: export duty; Pi = international price; VC = cut-off value (reference price). If the international price is lower than the reference price, a rate of 45% applies.

[44] The minimum payable per litre is Arg$0.5375 on leaded or unleaded gasoline of over 92 octanes; Arg$0.5375 on other leaded or unleaded gasoline; and Arg$0.15 on gas oil, diesel oil and kerosene.

[45] The preamble to MEyP Resolution No. 25/2006 indicates that the measures had been taken in response to instances of supply shortages at various stages in the marketing, intermediation, distribution and/or production of gas oil caused by imposition of quotas on wholesale and/or retail sellers by refining companies so that when these were exhausted, there was a shortage.

97. Under Decrees Nos. 1.381 of 1 November 2001 and 652/2002 of 19 April 2002, the production and import of petrol and natural gas pay a Water Infrastructure Charge of Arg$0.05/litre of gasoline or cubic metre of gas. Other taxes imposed on hydrocarbons include the Tax on Liquid Fuels and Natural Gas (ICLGN), the Water Infrastructure Tax and the Special Tax on Gas Oil. The ICLGN rate is 70% for petrol of less than 93 octanes, 62% for other petrol and 19% for gas oil. In each case, the basis used to calculate the tax is the selling price in service stations. The rate of ICLGN for natural gas is 16%, based on the selling price. The rate of the Water Infrastructure Tax, created by Law No. 26.181 of 19 December 2006, is 9% for natural gas and 5% for petrol, while the rate for the Special Tax on Gas Oil is 22%. All fuels are subject to VAT at a rate of 21%, applied on the selling price before tax.

98. Law No. 24.076 of 20 May 1992 and supplementary regulations govern the distribution and transportation of natural gas. The National Gas Regulatory Authority (ENARGAS)[46] is responsible for implementing and applying these rules. ENARGAS approves the rates that may be charged for the regulated services and, pursuant to Law No. 24.076, its objectives include protecting consumers' rights, promoting competitiveness in the markets for supply and demand of natural gas, and encouraging investment to guarantee long-term supplies, focusing on more efficient operation of natural gas transport and distribution services and facilities and ensuring that the price for supplying natural gas to industry is the same as that at the international level in countries with similar resources and conditions. Under this Law, no prior approval is required to import natural gas, whereas all exports of natural gas have to be authorized by the Executive within 90 days of receiving the application so as not to affect domestic supplies.

99. According to Laws Nos. 17.319 and 24.076, there are three basic branches in the gas industry: production, transport and distribution. The production of natural gas is deregulated and producers are free to explore for gas, extract and sell it; the Secretariat for Energy is the implementing authority. The transport and distribution of gas through networks are regulated public services and authorized companies supplying these services are subject to the jurisdiction of the ENARGAS controller. The rate charged to consumers for gas is obtained by adding together the following components: the price of the gas (production); the gas hold-up; the cost of transport[47]; distribution costs; and taxes, levies and charges. In turn, the price of the gas included in this rate also has two components: the price of gas at the point of entry into the transport system (PIST) and the accumulated daily differences (DDA).[48]

100. Pursuant to the provisions in Law No. 25.561 on Public Emergency and supplementary rules, the contracts of privatized companies had to be renegotiated, including price setting and adjustment clauses. By mid-2012, there had been renegotiations with only one company (*Gas Natural Ban S.A.*) out of the ten; this company readjusted its rates twice: in 2005 and again in 2008. The other

[46] See also online information from ENARGAS. Viewed at: http://www.enargas.gov.ar.

[47] The transport costs are the charges paid to authorized carriers for transporting the gas through gas pipelines from the point of entry into the transport system to the delivery point.

[48] The accumulated daily difference is the difference between the average real price of gas bought from each producer and each gas field and the PIST value. The daily differences accumulate monthly and are adjusted using an interest rate, with the total being co-related to the adjustment in rates for the next period (online information from ECOGAS, *Información tarifaria*. Viewed at: http://www.ecogas.com.ar/appweb/leo/inicio.php?sitio=cuyo_cuadros_tarifarios).

distributors have not adjusted their rates since 2002 and the fees and charges they apply are the same as those in January 2002.[49]

101. In 2004, the authorities and producers reached agreement to harmonize well-head prices and the PIST for natural gas and to approve new tariff scales, at the same time guaranteeing supplies to meet domestic demand.[50] When this expired, an agreement was signed with natural gas producers for the period 2007-2011, endorsed by SE Resolution No. 599 of 13 June 2007. This Resolution, to remain in effect until 31 December 2011, committed Argentine natural gas producers to give priority to supplying the domestic market (priority demand), undertaking to supply specified volumes of gas determined for each producer in Annex I to the agreement and appearing in the aforementioned Resolution. The failure of one particular field to supply natural gas committed by a producer that had signed the 2007-2011 agreement, led to what are known as "Additional Injection Requirements" for this producer until it had first exhausted the volume corresponding to its exports and then the volume it had undertaken to supply to other consumers in the domestic market, consumption which had not been included in the volumes committed. SE Resolution No. 172/2011 extended the obligations to supply natural gas covered by the 2007-2011 agreement until other measures are taken to replace them.

102. In addition, in order to guarantee supplies of natural gas, Decree No. 2.067/2008 of 27 November 2008 was adopted, creating a trust fund for imports of natural gas and all those needed to supplement the injection of natural gas required to meet Argentina's needs. The trust fund is financed from the following resources: (i) the rates paid by users of regulated transport and/or distribution services, by consumers of gas which receive gas directly from producers without using the natural gas transport or distribution systems or by companies processing natural gas; (ii) resources obtained under special loan programmes agreed with relevant national or international organizations or institutions; and (iii) specific support schemes to be implemented by the sector's stakeholders.

103. The purpose of SE Resolution No. 1.070/2008 of 19 September 2008 was to reorganize well-head gas prices and to divide up household demand for natural gas. SE Resolution No. 1.417/2008 determined the gas field price for consumption as of 1 November 2008 for those producers that had accepted the 2007-2011 agreement. Accordingly, in November 2008 ENARGAS approved new rates for end consumers of natural gas and these were still in effect in June 2012. The new rates only applied to those producers that had signed the supplementary agreement ratified by SE Resolution No. 1070/2008. Distribution rates have remained unchanged since 2002.[51]

104. Law No. 26.020 of 9 March 2005 governs the regulatory regime for the processing and marketing of liquefied petroleum gas (LPG), its main objective being to guarantee regular, reliable and economic supplies of LPG to residential users in socially underprivileged sectors in Argentina that have no natural gas network service. The Law authorizes the free import of LPG without any requirement other than compliance with the regulations in effect and without the need for prior authorization, but it stipulates that the export of LPG is subject to guaranteeing domestic supplies and to authorization by the Executive.

[49] Online information from ENARGAS, *Tasas y Cargos*. Viewed at: http://www.enargas.gov.ar/_blank.php?iFrame=/Tarifas/Tasas/TasyCar_Dic1992_Actual.xls.

[50] Agreement on the Harmonization of Natural Gas Price at the Point of Entry into the Transport System, signed on 2 April 2004 and in effect up to 31 December 2006, concluded pursuant to Decree No. 181 of 13 February 2004, which gave the Secretariat for Energy the necessary powers.

[51] ENARGAS (2009), page 159.

105. Argentina's legislation also includes mechanisms to subsidize LPG consumption in low-income areas or where there are supply problems. Decree No. 786/2002 set up the trust fund for subsidizing household consumption of natural gas and LPG, whether in containers or in bulk. The fund's objective is to finance: the tariff compensation in the South of Argentina and the Department of Malargüe in the province of Mendoza, payable to local distributors and sub-distributors of natural gas and LPG for applying differential rates to household consumers; and the sale for household use of cylinders, bottles or LPG in provinces in the Patagonia Region and the Department of Malargüe in the province of Mendoza. The fund is financed by a small surcharge (Arg$0.004/$m^3$) for natural gas and by transfers from the Government. The surcharge is not included in the price of the gas. The total amount of the trust fund used to pay the current subsidy and compensation is determined in each budget.

106. Decree No. 1.539/2008 of 19 September 2008 created the National Programme for Household Consumption of Liquefied Petroleum Gas (LPG) in Containers in order to lay down the terms permitting household users to buy bottled LPG at a set differential price. The Programme provides for the use of trust fund resources to finance the purchase of bottled LPG (in bottles or cylinders) by low-income users, introduced by Law No. 26.020. The Law also provides that a differential regional price should be applied for household consumption of LPG in 10 kg, 12 kg and 15 kg bottles throughout the provinces of Corrientes, Chaco, Formosa and Misiones, and the north of the province of Santa Fe, until this region obtains access to natural gas. The fund is financed by contributions from producers of natural gas pursuant to the agreement signed on 19 September 2008. Resolution No. 277/2012 approved the addendums to the supplementary agreement with natural gas producers for maintaining the trust fund.

107. A Programme for Voluntary Renunciation of National State Subsidies has been in effect since 2011 and covers subsidies for gas, electricity and drinking water. By June 2012, some 31,000 users had voluntarily renounced gas subsidies.[52]

108. Argentina has signed several international agreements on integrating energy, for example, with the Plurinational State of Bolivia (North-Eastern Argentine Gas Pipeline), with Brazil (Transitional Energy Exchange Agreement), with the Bolivarian Republic of Venezuela and Brazil (South American Gas Interconnector), and with the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia (initiative to create a multistate petroleum enterprise, PETROSUR).

(b) Incentives

109. Decree No. 1.396/2001 of 4 November 2001 declared the production and marketing of biodiesel for use as pure fuel or as a base for mixing with gas oil or as an additive to gas oil to be of national interest. Some tax incentives are given to promote the use of biodiesel, for example, a ten-year waiver of the Liquid Fuels and Natural Gas Tax and exemption from the Presumed Minimum Income/Profits Tax for companies producing biodiesel.

110. Law No. 26.093 of 19 April 2006 instituted the Regulatory and Promotion Scheme for the Sustainable Production and Use of Biofuels. This scheme is to remain in force for 15 years as of its approval. All projects for establishing biofuel industries are eligible for the incentives given by the Law provided that: they are established in Argentina; they are owned by private or public or semi-public commercial companies or cooperative associations incorporated in Argentina and given the exclusive right to develop the activity promoted by the Law; the majority of their

[52] Online information from MINPLAN, *Renuncia voluntaria al subsidio*. Viewed at: http://www.minplan.gov.ar/subsidios.

equity is contributed by the National State, the Autonomous City of Buenos Aires (CABA), the provincial states, local authorities or natural or legal persons engaged principally in agricultural production. A total fiscal quota for the promotional incentives is determined each year and is allocated giving priority to small and medium-sized enterprises, farmers and the promotion of regional economies.

111. The incentives under Law No. 26.093 include exemption from VAT and the IG on the purchase of capital goods or for undertaking the infrastructure work required for the project in question for as long as the scheme remains in effect. In addition, goods to be used for projects approved by the implementing authority are not included in the tax base for the Presumed Minimum Income/Profits Tax introduced by Law No. 25.063. Biodiesel and bioethanol produced by those implementing approved projects are not liable for the Water Infrastructure Charge introduced by Decree No. 1.381/2001 or the Liquid Fuels and Natural Gas Tax introduced by Law No. 23.966, harmonized text of 1998, or the tax on the import of gas oil introduced by Law No. 26.028. Law No. 26.093 created the National Advisory Commission for Promoting the Sustainable Production and Use of Biofuels.

112. According to estimates by the MEFP's Secretariat for Finance, the costs in terms of tax revenue of implementing Law No. 26.093 amounted to Arg$713.1 million in 2010 and Arg$1,677.8 million in 2011.

113. Resolution No. 1.312/2008 of 1 December 2008 approved the regulations for the "Oil Plus" and "Refining Plus" Programmes introduced by Decree No. 2.014/2008 of 25 November 2008. The purpose of these Programmes is to boost production and the incorporation of oil reserves and fuel production so as to meet all the energy needs of Argentina's domestic industry. The "Refining Plus" Programme also provides a special incentive scheme for small non-integrated refiners. Companies benefiting from these Programmes receive tax credit certificates issued by the Secretariat for Energy. These are granted when actual production exceeds basic production, in other words, when there is "additional production".[53] The certificates may be used to pay export duty. The Programmes are monitored and assessed by the Monitoring Commission for the "Oil Plus" and "Refining Plus" Programmes, created by Decree No. 2.014/2008.

114. The incentive for oil production in the "Oil Plus" Programme is calculated each quarter by multiplying, for the corresponding production, the percentage applicable as shown in Table IV.5 by the average amount of export duty for the quarter per barrel for the export of crude oil.

Table IV.5
Factors for determining the export tax on oil, pursuant to Resolution No. 1.312/2008 of the Secretariat for Energy ("Oil Plus" Programme)

Actual price > basic price	Basic production (%)	Additional production (%)
International price > US$60.90/barrel	8	55
International price ≤ US$60.90/barrel	10	70

Source: Resolution No. 1.312/2008 of the Secretariat for Energy.

[53] Actual production (PE) is that achieved over one quarter. Basic production (PB) for each quarter is calculated for each company according to the average daily production during the first half of 2008 multiplied by the number of days in each quarter. To calculate each company's PB, the total number of concessions in which the company has a share is added up, with the corresponding percentages. The difference between the PE and the PB is the additional production (PA). To determine the amount of the average export duty for the quarter, the average international price for the quarter is used, taking as a benchmark the price of oil determined daily pursuant to Article 8 of Resolution No. 394 of 15 November 2007 of the former Ministry of the Economy and Production.

115. If the international price rises above US$60.90/barrel, a duty reduced by 8% is payable on basic production and 55% on additional production, whereas if the international price is the same or below US$60.90/barrel, a duty reduced by 10% is payable on basic production and 70% on additional production in order to maintain or even increase production when prices are low.[54] Another requirement for obtaining the incentive is that the reserve replenishment index for the preceding calendar year should exceed 0.8 or have increased in comparison with the average for the three previous calendar years.

116. Under the "Oil Plus" Programme, companies with additional production or with a reserve replenishment index over 0.8 and which export crude oil in compliance with SE Resolution No. 1.679 of 23 December 2004 and amendments thereto may be given additional tax credit certificates amounting to between 3% and 12% of the difference between the local price and the international price applicable to the export in question (net of export duty), subject to submission of the officially certified loading permit. Incentives for building up reserves under the "Oil Plus" Programme are calculated annually by multiplying the percentage applicable as shown in Table IV.6 by the average amount of export duty on a barrel of crude oil during the corresponding first quarter of each year, for the annual volume of proven reserves added by the producer. The higher the reserve replenishment index, the larger the deduction from export duty.

Table IV.6
Reserve replenishment index for determining additional tax credit certificates, pursuant to Resolution No. 1.312/2008 of the Secretariat for Energy ("Oil Plus" Programme)

Reserve replenishment index	Percentage	
	International price > US$60.90/barrel	International price ≤ US$60.90/barrel
Over 0.50 but less than 1.00	3	3
1.00 or more but less than 1.25	6	6
1.25 or more	10	12

Source: Resolution No. 1.312/2008 of the Secretariat for Energy.

117. To calculate the incentive, the total annual volume of proven reserves for each company may not exceed 50% of the actual annual production of oil. Furthermore, only companies which have additional production during the period are eligible. The incentive becomes effective through the annual issue of assignable tax credit certificates at face value, which may be used to pay export duty.

118. The "Refining Plus" Programme is for new refinery projects or for the expansion of refining capacity and/or conversion of an existing refinery together with its associated transport and storage facilities. The purpose of the Programme is, in the first stage, to boost production of grade 1 and grade 2 gas oil, together with grade 2 petrol, according to the definition of these fuels given in Article 2 of SE Resolution No. 1.283 of 6 September 2006. The incentive consists of a reduction in export duty through the use of a tax credit certificate. It is calculated quarterly by multiplying the average quarterly value of export duty on gas oil and petrol per cubic metre by 50% of the annual additional production of the products notified for the project in cubic metres.[55] Each quarter, 50% of

[54] For example, if the rate of export duty is 25%, the PB 100,000 barrels and the PA 50,000, the duty payable is [(0.92)*0.25/(1+0.25)], corresponding to 11.5% on the PB, and [(0.45)*0.25/(1+0.25)], corresponding to 5.63% on the PA.

[55] Additional production is the daily average production under each project put forward by companies in addition to the basic production of products (PBP) under the Programme. For each company, the PBP is deemed to be the average daily production of grades 1 and 2 gas oil and grade 2 petrol during the month of highest production levels in the first half of 2008. For mixtures, in order to calculate additional production, the principal raw material must have been produced by the refinery concerned based on primary refining of crude oil or molecular transformation in the same refinery or in associated units. The average quarterly international

the total incentive is paid out depending on the progress made in the corresponding projects and the balance starts to be paid quarterly during the first year of production. The total amount of incentives received may not exceed the total amount of investment in each project. Small refineries, with the capacity to refine less than 30,000 m^3 of crude oil each month, are given an additional incentive at the time of export.

119. Between 2008 and 2012, 26 investment projects took advantage of the "Refining Plus" Programme for total investment of US$2,660.9 million.[56] It is estimated that, after conclusion of the projects, additional production under the Programme amounted to 2.78 million m^3 of gas oil and 2.954 million m^3 of petrol.

120. A scheme was introduced under the "Refining Plus" Programme to grant incentives to "non-integrated" small-scale refiners whose maximum monthly refining capacity was 30,000 m^3 or less and which complied with certain requirements such as: a geographical location far from the main markets and without direct access to a sea port; the production processes generate large volumes of products not usable on the local market and produced continuously for the last two years from the entry of force of Resolution No. 1.312/2008; and the products listed in Annex I to Resolution No. 394 of 15 November 2007 of the former Ministry of the Economy and Production are exported, either directly or through third parties, except for NCM tariff headings 2709.00.10 and 2709.00.90. The incentive consists of the issue of tax credit certificates for the difference between the export duty calculated in accordance with SE Resolution No. 394 of 15 November 2007 and export duty at a rate of 5%. The scheme only applies if international oil prices are below US$80/barrel.

121. SE Resolution No. 24/2008 of 6 March 2008 introduced the "Gas Plus" Programme to encourage new projects leading to increased production of natural gas. In order to be eligible for this Programme, producers must have signed the 2007-2011 Agreement with Producers of Natural Gas (SE Resolution No. 599 of 13 June 2007) or any agreement that might replace it in the future, and must comply with the supply commitments determined therein, for all consumption segments.[57] The natural gas produced under the "Gas Plus" Programme is not, however, considered to form part of the volume under the Agreement and its market value is not subject to the price conditions stipulated in the Agreement. Natural gas under the Gas Plus arrangement may only be sold on the domestic market. Its selling price may be freely determined and must take into account the related costs and a reasonable profit.

122. Law No. 26.334 of 2 January 2008 introduced the Bioethanol Production Promotion Scheme, intended to encourage the establishment of value chains by integrating sugar cane producers and sugar cane mills in bioethanol production processes. Law No. 26.123 of 24 August 2006 declared the

price of *Unleaded 87 US Coast Gulf* is used to determine the value of petrol and *Diesel Nº 2 US Coast Gulf* that of gas oil, with the rates set in Resolution No. 394 of 15 November 2007 of the former Ministry of the Economy and Production.

[56] Online information from the Secretariat for Energy, "Refining Plus" Programme. Viewed at: http://www.energia.gov.ar/contenidos/archivos/Reorganizacion/informacion_del_mercado/mercado_hidrocarburos/programas_plus/refino/exp_refino_plus.xls.

[57] Unless, pursuant to SE Resolution No. 1.031/2008, the applicant proves that it has exhausted every opportunity to increase the production of natural gas in its concessions and that the potential increased daily production of natural gas under the project covered by the "Gas Plus" Programme is at least 20% higher than the daily average production recorded for all its concessions during the preceding calendar year. It must also guarantee supplies of natural gas equal to the volume verified for the last calendar year preceding the application until the agreement expires.

development of technology, production, use and application of hydrogen as a fuel and energy source to be a matter of national interest and created the National Hydrogen Promotion Fund.

(4) MANUFACTURING

(i) Overview

123. Manufacturing's share of GDP was 18.9% in 2011 (including food processing), compared to 19.4% in 2007, owing to some extent to the more rapid increase in other production activities such as agriculture and domestic trade. Over the period 2006-2011, real GDP in the manufacturing sector grew at an annual average rate of 6%. For 2012, manufacturing's share of GDP is estimated at 17.7% of total GDP. Following six years of sustained growth, industrial GDP fell by 0.5% in 2009, affected by the global crisis. In 2010, the industrial sector recovered and GDP rose by 9.8%.[58] In 2011, the sector expanded at a real rate of 11%.[59] Growth in production was accompanied by a substantial increase in the level of utilization of installed capacity, which was 78.9% in April 2012, five percentage points above the 2006 level. Productivity in the manufacturing sector rose at an annual rate of 6.3% between the third quarter of 2006 and the third quarter of 2011.[60] The increase was particularly rapid in the food processing industry and in the production of motor vehicles, but even more so in the leather and footwear branch.

124. Most industrial activity takes places in four provinces: Buenos Aires (53%), CABA (14%), Santa Fe (9%), and Córdoba (7%). In 2011, manufacturing accounted for 20.2% of jobs in Argentina, with the food processing industry (28.47% of the sector's total), textiles and made-up articles (9.3%) and chemicals (8%) providing the most jobs.

125. During the period under review, there has been a rapid increase in both exports and imports of manufactures, but the rise in imports was somewhat higher. In 2011, exports of manufactures (including processed food) amounted to US$28,916 million, following an annual increase of 14.3% between 2006 and 2011. Exports of manufactures overall accounted for around one third of total exports (see Table AI.l). The principal exports of manufactures were products of the automotive industry (35% of the total), chemicals and related products (20%), metal working (11%), and precious stones and metals (10%). The exports of these four groups of products were also the most dynamic during the period under review. A large percentage of the manufactures exported come from huge conglomerates and multinational corporations, some of which are majority foreign owned. Many of the manufactures exported by the automotive sector, for example, use large quantities of imported inputs.

126. Imports of manufactures, on the other hand, amounted to US$60,415 million in 2011, compared to US$30,394 million in 2006, with an annual growth rate of 14.7%. As imports increased more rapidly than exports, the manufacturing sector's trade balance deteriorated and went from a deficit of US$14,787 million in 2006 to one of US$25,967 million in 2010. The rapid growth in trade in manufactures continued in 2011. Industrial exports rose by 16% between the third quarter of 2010 and the same quarter in 2011, driven in particular by increased sales by the chemical industry and of

[58] MEFP, Secretariat for Economic Policy, Undersecretariat for Economic Planning (2011).

[59] Online information from INDEC, *Producto Interno Bruto (PIB): Serie histórica*. Viewed at: http://www.indec.gov.ar/principal.asp?id_tema=2540. The manufacturing industries which made the largest contribution to growth in 2011 were mechanical engineering, the automotive industry, non-metallic minerals, food and beverages, chemical substances and products.

[60] MEFP, Secretariat for Economic Policy and Development Planning (2012).

processed metal products. Imports likewise continued to increase more rapidly, by 31%, owing to a large extent to growth in imports of petroleum products, chemicals and metallurgical products.

127. The Ministry of Industry is responsible for coordinating and promoting Argentina's industrial development policies so as to boost value added in all production chains, in cooperation with companies, workers, universities, non-governmental organizations, provincial governments and local authorities. The Ministry works mainly through three Secretariats, each dealing with a particular strategic area. The task of the Secretariat for Industry is to assist in defining industrial policy and in the design, financing and utilization of the tools needed to promote the development of industry. It also defines policies to foster investment and lines of financing for the industrial sector. The Secretariat for Industrial Strategic Planning deals with planning of medium- and long-term industrial policies and with implementing regional, sectoral and value chain policies in order to enhance competitiveness and the percentage of value added. The Secretariat for Small and Medium-Sized Enterprises and Regional Development (SEPYME) defines the strategic policy guidelines for MSMEs. It also coordinates special policies in support of international trade by MSMEs. The Ministry of Industry also has two decentralized bodies: (i) the National Institute of Industrial Technology (INTI), which is responsible for certifying standards, technical specifications and quality, as well as the generation and transfer of industrial technology[61]; and (ii) the National Institute of Industrial Property (INPI).

128. The Undersecretariat for Industry, attached to the Secretariat for Industry, is responsible for implementing the Sustainable Industrial Development Project (DIS), launched in June 2008. The overall purpose of this Project is to promote industrial development within an environmentally sustainable framework, focusing on innovative production, more efficient production chains and regional balance. Its activities are directed towards strengthening industrial production sectors, branches and/or activities through technical assistance and training activities, together with the dissemination and use of industrial development tools, schemes and programmes provided by the National State, more particularly in those regions of Argentina that are relatively less industrially developed.[62]

129. Several industrial activity-specific incentives are available to the manufacturing sector, for example, for the automotive and naval industries (see below).

(ii) Trade measures and support measures

130. Border measures are utilized to protect the manufacturing sector and include the use of tariffs, non-automatic import licensing and contingency measures, notably anti-dumping duties. The simple average MFN tariff in the manufacturing sector (ISIC definition) was 11.7% in 2012, or 11.5% according to the WTO definition of non-agricultural products (see Chapter III(2)(iv)). Tariffs range from 0 to 35%. The highest average tariffs according to the WTO classification are on clothing (35%), textiles (22.7%), transport equipment (17.8%), footwear and leather articles (14.7%). During the period under review, imports of a large number of manufactures became subject to non-automatic import licensing. Export of the majority of manufactures, on the other hand, still attracts duty of 5%.

[61] Online information from the Ministry of Industry, *El Ministerio*. Viewed at: http://www.industria.gob.ar/?page_id=12579.

[62] Online information from the Undersecretariat for Industry, *Presentación institucional*. Viewed at: http://www.sub-industria.gob.ar/desarrolloindustrial/nombre-del-prorama.

131. Argentina assists its manufacturing sector through horizontal fiscal incentive schemes (see Chapter III(4)(iii)), as well as export promotion schemes such as free export zones or temporary admission (see Chapter III(3)(iv)). Special arrangements also apply to the production of capital goods under the capital goods, information technology and telecommunications scheme (see Chapter III(4)(iii)).

132. The manufacturing sector can also benefit from special credit facilities for research and development projects and for technological development and innovation through the Scientific and Technological Research Fund (FONCyT), the Argentine Technological Fund (FONTAR), the Trust Fund for Promotion of the Software Industry (FONSOFT), and the Argentine Sectoral Fund (FONARSEC), administered by the National Agency for the Promotion of Science and Technology, a national body attached to the Ministry of Science, Technology and Productive Innovation, which promotes activities in these spheres (see Chapter III(4)(iii)).

133. FONTAR is particularly important as it has incentive programmes that include lines of credit and the Tax Credit Programme. The latter is intended for natural or legal persons owning companies that produce goods and services and grants tax credit certificates which can be deducted from the IG in an amount of up to 50% of the project's total budget. It also sets quotas by region and potential beneficiaries compete for parts of the credit quota for their region.[63] FONTAR granted tax credits worth Arg$168 million over the period 2006-2010 to over 500 companies for close to 2,000 projects.

134. The financial resources managed by FONTAR in support of the development of innovation projects come from national or international public or private sources for general or specific purposes. In general, over the period 2003-2010, FONTAR approved 1,015 credits through several lines of credit. The principal sectors that received FONTAR financing between 2003 and 2010 were business services, food and beverages, chemicals, and machinery and equipment, which together accounted for 51% of the amounts disbursed.[64]

135. Small and medium-sized enterprises are eligible for a number of tax incentives (see Chapter III(4)(iii)). They are also eligible for an interest subsidy scheme and can access credit facilities through Mutual Guarantee Societies (SGR).[65]

136. The automotive industry is one of Argentina's major industries. A number of agreements have been signed in this sector such as the 38th Additional Protocol to the Economic Complementarity Agreement (ECA No. 14) between Argentina and Brazil, the 31st Additional Protocol to ECA No. 35 between Argentina and Chile, the 2nd Additional Protocol to the Bilateral Agreement with Uruguay (ECA No. 57) and the Agreement between MERCOSUR and Mexico (ECA No. 55). Imports of cars and light utility vehicles from outside the MERCOSUR zone, together with imports of heavy commercial vehicles, are generally subject to a 35% tariff, with the exception of self-propelled agricultural and highway machinery, which pays 14%. Autoparts are generally subject to a CET of 14%, except for those not produced in MERCOSUR; these pay a CET of 2% pursuant to Resolution No. 497 of 23 July 2004, which establishes a list of products not manufactured in Argentina and has been updated several times, the most recent being Resolution No. 25 of 10 August 2010.

[63] Online information from the National Agency for the Promotion of Science and Technology, *FONTAR*. Viewed at: http://www.agencia.gov.ar/spip.php?article456.

[64] National Agency for the Promotion of Science and Technology, *Estadísticas FONTAR*. Viewed at: http://www.agencia.secyt.gov.ar/fontar_estadistica.php.

[65] Law No. 24.467 of 15 March 1995.

137. Under the incentives scheme to improve the competitiveness of local autoparts, established by Decree No. 774 of 5 July 2005, a benefit is granted for a maximum period of three years in the form of payment of a cash refund on the value of purchases of autoparts with a maximum imported content of any origin of 30%. Such parts must be intended for production and be purchased by manufacturers of cars, utility vehicles with a load capacity of up to 1,500 kg, trucks, chassis with or without cabs and buses, engines, gearboxes and axles with differentials. To obtain this benefit, the firms must submit a project for the production of new units or new autoparts. This Decree provides that for motors, gearboxes and axles with differentials listed in Annex II to the Decree, a refund corresponding to 8% of their ex-factory value before tax will be paid during the first year in which the goods are produced, 7% in the second year and 6% in the third. Under this Decree, projects submitted by Fiat Auto in 2010 and Volkswagen in 2012 were approved.[66]

138. The automotive industry has been one of the main beneficiaries of the in-factory customs procedure (RAF) introduced by Decree No. 688/2002 (see Chapter III(2)(iv)). The RAF streamlines and expands the temporary admission procedure by allowing eligible companies to import specific goods and incorporate them in products for export, re-export them without processing or import them for consumption without paying tax until the operations have been completed.

139. The Automotive Agreement currently in force between Argentina and Brazil is incorporated into the 38th Additional Protocol to ECA No. 14, signed in July 2008, which repealed the previous Protocols and remains in force until 30 June 2014.[67] Under the Agreement, automotive products are traded between the parties with a 100% tariff preference, in other words, an intra-zone tariff of 0%, provided that they meet the origin requirements. The regional content of these products must be a minimum of 60%. The Agreement provides for the application of a 35% extra-zone tariff on cars, trucks and coachwork and 14% on tractors and machinery. Autoparts not produced in MERCOSUR pay a tariff of 2%. Autoparts not originating in MERCOSUR and used to manufacture vehicles are subject to a tariff of 8%. In order to benefit from the Agreement, companies manufacturing vehicles must be enrolled in the relevant Register of Producers.

140. The Agreement provides for overall quarterly monitoring of the flow of bilateral trade by country from 1 July 2008 to 30 June 2013. There is no maximum limit for exports, with a 100% preference margin as long as they remain within the annual limits in the variation coefficients determined for exports (Flex).[68] Until 30 June 2013, if Argentina has a deficit in this bilateral trade, the ratio of import value to export value between the parties must correspond to a Flex of not more than 1.95. If there is a deficit for Brazil, the Flex may not exceed 2.50. After 1 July 2013, trade in automotive products between the parties will no longer be subject to tariffs or quantitative restrictions.

141. Under the 2nd Additional Protocol to the bilateral Agreement with Uruguay (ECA No. 57), which came into force in 2008, Argentina grants duty-free access to Uruguayan exports of all products included in the tariff universe covered by the Agreement, provided that they comply with the rules of origin established therein. Cars and light commercial vehicles (with a load capacity of up to 1,500 kg), trucks and autoparts also benefit from duty-free access if they meet MERCOSUR's origin requirement (60%), and may also enter on preferential terms of origin (50%), but subject to

[66] Resolution No. 89/2010 of the Secretariat for Industry, Trade and Small and Medium-Sized Enterprises and Resolution No. 14/2012 of the Secretariat for Industry.

[67] The Agreement applies to: (a) cars and light utility vehicles (with a load capacity of up to 1,500 kg); (b) buses; (c) trucks; (d) road tractors for semi-trailers; (e) chassis with engines, including with cabs; (f) trailers and semi-trailers; (g) coachwork and cabs; (h) agricultural tractors, harvesters and self-propelled agricultural machinery; (i) self-propelled highway machinery; and (j) autoparts.

[68] The Flex limit regulates the volume of imports allowed for each dollar exported to the other country.

quantity and value limits; in 2006, these were 20,000 units, 800 units and US$60 million, respectively. These figures remained in effect for 2008 and subsequent years under the 2nd Additional Protocol. This determined a quota of 500 cars and armoured light commercial vehicles with a 100% preference margin for vehicles imported from countries outside MERCOSUR by companies established in Uruguay and undergoing inward processing in these companies for the purpose of fitting armour plating.

142. In September 2002, Mexico signed an agreement with MERCOSUR to create a free trade area for the automotive sector by 30 June 2011[69]; the agreement came into force in January 2003 and prescribes a transitional period for each MERCOSUR country and Mexico.[70] In the case of Argentina, a tariff quota of 50,000 units was established for cars, vehicles with a loaded vehicle gross weight of 8,845 kg or less, and motor vehicles for the transport of ten or more persons. On 1 May 2006, free trade in these products came into effect. Trade in agricultural machinery was liberalized from the moment the agreement entered into force. Tariffs under NALADISA heading 8407.34.00[71] were set at 0% from the date the agreement entered into force. Other imported autoparts were subject to CET rates of 14, 16 and 18%, as the case may be. Under the 4th Protocol to the Agreement, trade in automotive products included in paragraphs (a), (b) (e), (f) and (g) of the Agreement was liberalized as of 1 July 2011. It is specified that the provisions on origin and the technical regulations will continue to apply to all the goods covered by the Agreement, while the other access conditions laid down in the Bilateral Appendices and the Additional Protocols thereto will apply up until 31 December 2015. The Protocol was signed on 9 September 2011 and was incorporated into Argentina's legislation by Note EMSUR S.G. No. 122 of 29 September 2011 and the Joint Note of Argentina and Mexico - Notes Nos. 17/12 and 014/12, respectively.

143. Decree No. 969 of 22 June 2012 suspended application of ECA No. 55/02 for three years, including the Annexes thereto, together with Bilateral Appendix I on automotive trade between Argentina and Mexico. In this Decree, the Argentine Government justifies its decision on the basis of the conclusion of the 4th Additional Protocol to Appendix II (automotive trade between Brazil and Mexico) signed on 19 March 2012, which determines quotas and national content requirements reciprocally for a period of three years for imports with a tariff of 0% for cars and light commercial vehicles. According to Argentina, this amounts to a violation of the procedures laid down in ECA No. 55 by depriving it of the right to object to amendment of the Appendix in question.

144. In 2002, the 31st Additional Protocol to ECA No. 35 was signed. This established free trade between Argentina and Chile in cars; light commercial vehicles (with a load capacity of up to 1,500 kg); trucks; road tractors for semi-trailers; chassis with engines; buses; and autoparts, as from 2006.

[69] Economic Complementarity Agreement (ECA) No. 55. Viewed at: http://www.aladi.org.

[70] Decree No. 4.458 of 5 November 2002.

[71] Reciprocating piston engines of a kind used for the propulsion of vehicles (other than parts of railway or tramway locomotives or rolling stock) of a cylinder capacity exceeding 1,000 cc. In the 2nd Additional Protocol to Appendix I to the Agreement, signed in 2007, it is provided that, if the Argentine Government finds that any Argentine company producing distributor gears classified under NALADISA tariff heading 8483.40.00; drive axle parts under NALADISA heading 8708.60.00; forks, levers, excentric gear or bolts for rear suspension systems, satellite and planet gear, hub and coil differential gear, gears and shafts for gearboxes, coupling hammers and sleeves for synchronizing gearboxes classified under NALADISA heading 8708.99.00 is affected as a result of the preferences given for these headings, the parties shall hold discussions that may lead to Argentina's temporary withdrawal of the tariff preference corresponding to the heading(s) affected contained in the list attached to the 2nd Additional Protocol to Appendix I to the Agreement.

(5) ELECTRICITY

(i) Features of the sector and operation of the market

145. In 2011, installed generating capacity was 29,000 MW, of which over 58% depended on thermal resources (natural gas, gas oil and fuel oil), 38% was hydroelectric and 4% came from nuclear power stations.[72] In the same year, 121,216 GWh was generated, of which 60.9% came from thermal resources, 32.4% was hydroelectric and 4.8% nuclear, with 2% being imported.[73] The electricity sector is marked by the strong presence of foreign companies. Argentina covers most of its energy needs from its own resources. Nearly all the hydroelectric power stations are operated under National State or provincial state concessions, mostly given to private firms. Two of the largest hydroelectric stations are bi-nationally owned: one by the Argentine National State and Paraguay (Yacyretá); and the other by Argentina and Uruguay (Salto Grande). Argentina has three nuclear power plants, although one is not yet in service. Argentina is interconnected to the Brazilian, Paraguayan and Uruguayan electricity grids and to that of Norte Grande in Chile.

146. Policy in the electricity sector promotes sustainable development, with a scheme to promote the use of renewable energy. Under this scheme, a series of programmes has started to be implemented to promote the use of alternative sources of energy to generate electricity, for example, the GENREN Programme, which covers the purchase of 895 MW of electricity generated from alternative sources, mainly wind power, for a period of 15 years. The Law on Biofuels, described below, provides that, as of 2010, the liquid fuel consumed in Argentina must be mixed with biofuel (biodiesel and ethanol).

147. In 1991, the Argentine electricity market was liberalized and divided into three segments: generation, distribution and transport, each with its own special features. The State withdrew from its role as a stakeholder in the sector but remained the regulator. All activities in the electricity sector are open to the private sector, although the distribution and transport of electric power is subject to regulation and a concession has to be obtained. The expansion of the transport network, however, obeys market mechanisms. The level of competition varies according to the segment. Generation has been fully opened up to the private sector; in 2011, 111 generators were operating. Although there were 78 distributors in that same year, two distribution firms (Edenor and Edesur) hold the concession in areas under Federal jurisdiction, in the area of the City de Buenos Aires and in Greater Buenos Aires, which represent a substantial part of demand (roughly 44% of national demand from the grid). The electric power transport segment is wholly in private hands under Federal jurisdiction concessions, 95% of high voltage electricity is carried by a single private company, the National High Voltage Electricity Transport Company (Transener). For the purposes of transport by trunk distribution, the country is divided up into six regional areas, each operated by a different trunk company (for the most part equipped with 132 kV lines and stations), which also hold Federal concessions. Transener connects all the electricity subregions using 500 kV lines for the most part. There are also seven firms buying and selling electricity.[74]

[72] Information provided by the authorities and online information from the Secretariat for Energy, *Generación energía eléctrica, potencia instalada y potencia, generación y consumo de combustibles*. Viewed at: http://www.energia.gov.ar/contenidos/archivos/Reorganizacion/informacion_del_mercado/publicaciones/mercado_electrico/estadisticosectorelectrico/2010/parte1y2/genpotcombpanuario10.zip.

[73] Wholesale Electricity Market Management Company (CAMMESA) (2012).

[74] Online information from CAMMESA, *Institucional*. Viewed at: http://portalweb.cammesa.com/Pages/Institucional/defaultinstitucional.aspx.

148. The Wholesale Electricity Market Management Company (CAMMESA), a public limited company created by Decree No. 1.192 of 10 July 1992 on the basis of national load dispatching, is in charge of coordinating technical and economic dispatching operations, determining wholesale prices and handling economic transactions through the Argentine Interconnection System (SADI). CAMMESA is a privately managed company of public interest, whose shares are 80% owned by operators in the Wholesale Electricity Market (MEM) (20% by each of the generators, transporters, distributors and large users). The Government ministry owns the remaining 20% and chairs the company.

149. CAMMESA administers the MEM, oversees the operation of the forward market, estimates future power needs and ensures optimum functioning of the market in accordance with the rules determined by the Secretariat for Energy. CAMMESA's activities are deemed to be of national interest; the provinces may not take action or impose taxes that might affect the achievement CAMMESA's objectives. CAMMESA acts as the agent for various actors in the MEM for dispatching power and energy, using the transport facilities, and markets imported energy and power. Through the firm Emprendimientos Energéticos Binacionales S.A. (EBISA), CAMMESA sells energy coming from the bi-national energy undertakings and collects and administers the fees, payments or amounts owing for transactions among actors on the MEM.

150. Almost all of Argentina's demand for electric power is supplied through the MEM, in which producers, transporters, distributors, large users and buyers/sellers all participate. MEM is made up of: a forward market, with contracts by volume, prices and terms freely agreed between buyers and sellers; a spot market, with prices agreed by hour in line with the marginal short-term cost measured in the system's dispatching centre; and a quarterly stabilization scheme for prices forecast on the spot market to be used for buying by distributors.[75] Each quarter, the aggregate differences are re-allocated to the subsequent periods.[76] MEM agents are generators, self-generators, co-generators and large users authorized by the Secretariat for Energy and those holding concessions to generate hydroelectricity, for transport or distribution, together with distributors under provincial jurisdiction and companies in interconnected countries authorized to operate on the MEM.

151. CAMMESA plans the operation of the SADI for half-yearly seasons in order to cover demand with a level of reserves agreed between the parties (economic load dispatching). The hourly marginal price offered by producers is that paid on the spot market to generators of electricity and its average estimated price is the basic price on which the selling price to distributors is calculated for their purchases on the spot market. Distributors pay a price differential that depends on where they are situated in the system and reflects losses in the transport network. Electricity distributors and generators pay transporters a fixed fee per connection and according to the transport network's capacity.

152. Consumers of electric power linked to the SADI may buy the power to meet their demand in two ways: through the distributor in their area or directly from a recognized MEM generator or dealer. The second option is only available to large users in the MEM which fall into three categories defined according to their level of consumption: major large users (GUMA), smaller large users

[75] The MEM Stabilization Fund consists of a mechanism for stabilizing prices on a seasonal basis. A price at which distributors buy on the wholesale spot market for three months is approved. The difference between the seasonal price determined and the spot market is covered by the Fund.

[76] Online information from CAMMESA, *Procedimientos para la programación de la operación, el despacho de cargas y el cálculo de precios.* Viewed at: http://portalweb.cammesa.com/Pages/Institucional/Empresa/procedimientos.aspx.

(GUME), and individual large users (GUPA).[77] When a generator has supply contracts with a distributor or with a GUMA, it sells the volume agreed in the contract on the forward market at the agreed prices; any surplus is sold on the spot market at market prices. Generators without contracts sell all their output on the spot market. Small users (with demand of less than 30 kW) are customers of the distributors within a geographical area in which the latter have exclusive rights and are subject to regulated tariffs.

153. Electricity prices in Argentina are among the lowest in Latin America. The average price in June 2012 was Arg$120/MWh (around US$0.027 per kWh).[78] A surcharge is applied to the tariffs paid by wholesale market buyers, i.e., the distributors and large users. This surcharge feeds the National Electric Power Fund (FNEE), in accordance with Law No. 15.336 of 22 September 1960.[79] Under Resolution No. 1.872/2005, the surcharge is set at Arg$0.0054686/kWh and is updated each quarter. This Resolution also provides for 79.44% of total FNEE revenue to be used to finance the Subsidiary Fund for Regional End-User Tariff Compensation (60% of this percentage) and the Fund for the Development of Electricity in the Interior (40%).[80] Of the remainder, 0.7% goes towards financing the development of wind power and 19.86% to the Trust Fund for Federal Electrical Transport established by Resolution No. 657 of 3 December 1999 of the Secretariat for Energy.

(ii) Legal and regulatory framework

154. The Secretariat for Energy, attached to the MPFIPS, is responsible for the formulation and implementation of policies for the electricity sector. The privatized sector is regulated by the National Electricity Regulatory Authority (ENRE), a self-governing body under the jurisdiction of the Secretariat for Energy. ENRE is authorized to monitor compliance with Federal concession contracts by observing end-user tariffs in the areas operated by Edenor and Edesur.[81] Provincial distributors are regulated by their respective provincial authorities.

155. CAMMESA, established by Decree No. 1.192/91, administers the MEM and is responsible for technical and economic dispatching, as well as for coordinating the centralized operation of the SADI.

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[77] As a minimum, GUMA must have a demand for power for their own consumption of 1 MW or more at each physical connection point and energy demand of 4,380 MWh or more annually. They must also contract at least 50% of electricity demand with electricity generators or dealers on the forward market. The requirements for GUME are a minimum of 30 KW but less than 2,000 KW, while for GUPA the demand for power for own consumption must be 30 KW or more but less than 100 KW. In both cases, 100% of the demand for electricity must be contracted on the MEM.

[78] Online information from CAMMESA. Viewed at: http://portalweb.cammesa.com/default.aspx2006.

[79] Amended by Article 70 of Law No. 24.065 of 16 January 1992; Article 5 of Law No. 25.019 of 26 October 1998; Article 74 of Law No. 25.401 of 4 January 2001; and Article 1 of Law No. 25.957 of 2 December 2004.

[80] The Subsidiary Fund for Regional End-User Tariff Compensation is distributed among the provinces to prevent differences in provincial tariffs so that all the inhabitants of the same province pay the same tariff even when their supplies come from costly sources and they are not connected to the national grid. The Fund for the Development of Electricity in the Interior is intended to finance new electric power lines. According to the authorities, the FNEE is responsible for assisting provinces with fewer resources and more energy needs.

[81] Online information from ENRE. Viewed at: http://www.enre.gov.ar/. Until November 2011, it also supervised Edelap. The concession for the public electric power service in the La Plata and neighbouring areas awarded to this firm was taken over by the Province of Buenos Aires pursuant to National Executive Decree No. 1.853 of 16 November 2011.

156. The legal framework for the electricity sector in Argentina is mainly composed of Law No. 24.065 of 16 January 1992 (Electric Power Regime) and its implementing regulations, Decree No. 1.398/92. The Law divided up the electricity sector into segments and provided for each segment to be partially or wholly privatized. It imposes limits on economic concentration in the sector, prohibiting vertical integration but not cross holdings, albeit non-majority, between generators and distributors. Notwithstanding this, the Executive may authorize a generator, distributor and/or large user to build a transport network for its own use. Export or import of electric power must receive prior authorization from the Secretariat for Energy.

157. The Law describes electricity transport and distribution as a public service, but stipulates that priority for providing them must be given to private legal persons operating under concessions from the Executive, although it authorizes the State, either on its own or through any of its bodies or dependent companies, to provide such services if there are no candidates or concession holders. Distribution or transport concessions given to private legal persons are for a fixed term of ten years, renewable for similar periods. Concession contracts include an initial tariff scale valid for five years, adjustable under a system of maximum prices fixed by ENRE for successive five-year periods. Transporters and distributors must apply these tariff scales. Distributors may not use cross subsidies between categories of users, and price discrimination is also prohibited. However, mechanisms are provided to cover tariff differentials for predetermined users.

158. Generation only requires a concession in the case of hydroelectric energy if the power exceeds 500 kW. Law No. 24.065 allows generators to enter into supply contracts directly with distributors and large users. If there is no contract, generators sell power on the market at hourly spot prices, but for the power sold they receive the same tariff at each point of delivery.

159. Argentina's legislation divides the end-user market into a regulated segment (end users) and another open to competition (large users). In the regulated segment, the distributor holding the concession is guaranteed a monopoly, but must satisfy all the demand that it is required to meet under the terms of the concession contract; the tariffs are regulated. The large users are agents of the MEM and therefore free to procure electricity on the market at the price determined by the latter.

160. Law No. 24.065 requires privatized distribution companies to buy power on the market at a stabilized (predetermined) seasonal price, adjusted quarterly. The prices are determined by CAMMESA and approved by the Secretariat for Energy. Seasonal prices are based on an energy price calculated according to the probable marginal cost and a price for power in the light of requirements to cover demand, reserve stocks and other services related to the operation of the MEM.

161. The adjustment clause system for electric power tariffs applied to users by distributors was suspended by the Public Emergency and Exchange Regime Reform Law No. 25.651 of 7 January 2002, opening up a contract renegotiation process with Edenor, Edesur and Edelap (Executive (P.E.N.) Decree No. 802/2005 of 14 July 2005), and with two distributors and six transport companies.[82] Edelap (currently under provincial administration) was the only distributor authorized to increase its tariffs. The agreement with Transener (Executive (P.E.N.) Decree No. 1.462/2005 of 2 December 2005) authorized an average tariff rise of 31% as of 1 June 2005 until ENRE completed a comprehensive tariff review.[83] There has been no further renegotiation of contracts since then. Provincial distributors are governed by the rules applicable in each province.

[82] Unit for Renegotiation and Examination of Public Service Contracts (2005a).
[83] *Idem* (2005b).

162. Transport of electricity is paid for by means of a system of fixed and variable charges. Transporters and distributors are obliged to allow third parties indiscriminate access to any transport capacity in their systems that is not already contractually committed.

163. The authorities promote electric power saving through programmes such as the Programme for Rational Use of Electric Power (PUREE), introduced by Resolution No. 745/05 of the Secretariat for Energy and implemented by ENRE Resolution No. 355/05 and amendments thereto. It applies to household, commercial and industrial users of the firms Edenor S.A. and Edesur S.A. The Programme consists of a series of incentives to lower consumption through a mechanism that gives reductions and imposes additional charges. Under SE Resolution No. 797/2008, household users whose consumption exceeds 1,000 kW every two months are not eligible for the reductions. Since November 2008, commercial and industrial users have been excluded from PUREE. The reductions are calculated on the basis of the kWh saved and are financed through the additional charge on consumers of excess amounts of electricity within the same category and subcategory. Additional charges are paid by household users consuming over 300 kWh every two months.

164. During the period under review, the National Programme for Rational and Efficient Use of Energy (PRONUREE) was launched (Executive (PE) Decree No. 140/2007 of 21 December 2007) with the aim of improving management of electricity demand according to fairness and efficiency criteria.

165. SE Resolution No. 1.281/06 launched the "Energy Plus" Programme, created to promote increased electricity generating capacity in order to meet growing demand and to boost Argentina's industrial production. In force since 1 November 2006, the Resolution provides that the priority for the energy sold on the spot market is to meet demand from distributors and/or suppliers of the public electricity service which lack the necessary capacity to contract supplies on the MEM. The Resolution stipulates that any increase in power of large users after the base year (2005) must be the subject of firm supply contracts for power installed subsequent to the entry into force of this rule. It also provides that large users with power of 300 KW or more are the last priority for supplies and must meet increased demand for energy by generating their own power or by signing forward contracts with new generators. The prices in the contracts must be submitted to CAMMESA for consideration. The latter prepares a report which the Secretariat for Energy forwards to MPFIPS for approval. Large users which do not sign forward contracts and are covered by the Resolution must reduce their consumption, as instructed by CAMMESA, and if they fail to do so they have to pay an additional hourly amount of Arg$3,000/MWh for the excess energy consumed. The calculation is based on the social cost of the energy not supplied.

(6) SERVICES

(i) Main features and multilateral commitments

166. In 2011, the services sector accounted for 62% of GDP at current prices, compared to 53.4% notified for 2005 in the previous Report. This percentage rises to 68% if electricity, water and gas supplies (2% of GDP) and construction (6% of GDP) are included.[84] The commercial services and real estate services subsectors were the most important in 2011, with GDP shares of 11.6% and 9.1%, respectively, followed by transport and communications, with 7.3%, and financial services accounting for 5.3%. According to the World Bank's Services Trade Restrictions Index, the Argentine services

[84] Online information from the MEP. Viewed at: http://www.mecon.gov.ar/download/infoeco/apendice1.xls.

sector's restrictiveness index is 17 on a scale that ranges from zero (totally open) to 100 (totally closed). This places it among the countries that are "virtually open but with minor restrictions".[85]

167. In the Uruguay Round, Argentina accepted commitments in six of the 12 sectors specified in the GATS. Those relating to specific sectors comprised: business services; communications services; construction, engineering and related services; financial services; distribution services; and tourism and travel-related services.[86] Argentina bound commitments in 59 specific subsectors. It has not stipulated limitations on market access or national treatment with respect to cross-border supply (mode 1) or consumption abroad (mode 2) in any of the sectors included in its schedule of specific commitments under the GATS. The only limitation imposed on commercial presence (mode 3) relates to the requirements for acquiring land in frontier areas (150 km in land frontier areas and 50 km in coastal areas). Where supply through the presence of natural persons (mode 4) is concerned, commitments have been bound only with respect to the presence of managers, executives and specialists, in relation to both market access and national treatment, the other categories being left unbound.

168. Argentina participated in the extended negotiations on telecommunications, broadening its commitments.[87] Only the provision of satellite facilities of geostationary satellites operating fixed satellite services was excluded from MFN treatment and is subject to conditions of reciprocity.[88] Argentina ratified the Fourth Protocol on Telecommunications annexed to the General Agreement on Trade in Services by adopting Law No. 25.000. It also participated in the extended negotiations on financial services but did not submit any new offer. Within the context of the Doha Round negotiations on services, Argentina submitted an initial offer in April 2003.

169. Argentina applies MERCOSUR's Montevideo Protocol on Trade in Services, signed in 1997 and incorporated into Argentine legislation by Law No. 25.623, adopted on 17 July 2002 and published on 15 August 2002. The Montevideo Protocol aims to liberalize services over a ten-year period as of its entry into force. The Protocol entered into force on 7 December 2005, after being ratified by Argentina, Brazil and Uruguay.

(ii) Telecommunications

(a) Main features

170. In September 2011, there were around 9.65 million fixed telephone lines installed in Argentina (of which 9.46 million were in service).[89] As regards mobile telephony, the total number of mobile telephones was 57.65 million in September, a substantial increase over the 23.9 million

[85] Online information from the World Bank, *Services Trade Restrictions Database*. Viewed at: http://iresearch.worldbank.org/servicetrade.

[86] WTO document GATS/SC/4 of 15 April 1994.

[87] WTO document GATS/SC/4/Suppl.1 of 11 April 1997.

[88] WTO document GATS/EL/4 of 11 April 1997.

[89] Online information from INDEC, *Servicio telefónico básico: líneas instaladas, líneas en servicio, teléfonos públicos y llamadas nacionales urbanas; Servicio de telefonía celular móvil: teléfonos en servicio, llamadas y mensajes de texto SMS*. Viewed at: http://www.indec.mecon.ar/nuevaweb/cuadros/14/sh_comunicac2.xls.

indicated for March 2006 in the previous Review.[90] Total teledensity (fixed plus mobile telephones) was 167% in September 2011, compared to 85% in March 2006.

171. The process of privatizing and liberalizing the telecommunications sector started with the privatization of the State-owned telecommunications company under Decree No. 62 of 1990. At that time, the market was a monopoly; the national telecommunications company provided services throughout Argentina and local telephone cooperative associations in areas of low population density, which provided a basic service in those areas under licences granted by the State, were connected to its national public telephony network. This situation changed with the enactment of Decree No. 62 of 1990, which required all services to be provided on a competitive basis, with the temporary exception of the basic telephone service (SBT). This was to be provided by two private licensees, for which purpose the country was divided into two regions.[91] Telephone cooperative associations were termed Independent Operators (OI) with a monopoly in the areas they served.

172. In the extended negotiations on basic telecommunications under the GATS, Argentina undertook not to impose any restrictions on access to telecommunications markets after 8 November 2000, with the exception of international satellite services. The market was formally deregulated following adoption of Decree No. 465 of 13 June 2000 and amendments thereto.[92] Decree No. 764/2000 introduced a new regulatory framework for the supply of telecommunications services and opened up all national and international services in the telecommunications sector to competition as of November 2000. A single licensing regime and the National Interconnection Regulations (RNI) were also introduced. Since then, the SBT has been provided by three types of provider: traditional providers, independent operators (local cooperative associations and local authorities which provided the service prior to privatization) and new operators (companies and cooperative associations which started to provide the service after the end of the exclusivity period).[93]

173. In October 2012, the two "traditional operators" (Telefónica and Telecom Argentina) continued to dominate the telephony market and between them had 89% of the market. There were also 289 independent operators (operating prior to 2000), which accounted for close to 6% of the lines in service, while new operators (from 2000 onwards) provided services to almost 6% of the total lines in service. In Argentina as a whole, fixed telephone density at the national level is 24.5%; teledensity

[90] Online information from the CNC. Viewed at: http://www.cnc.gov.ar/indicadores; and online information from SECOM. Viewed at: http://www.secom.gov.ar/municipios/seccion.asp?MID=10&Seccion_Id=61.

[91] These companies are: Telefónica de Argentina S.A. in the southern region and TELECOM Argentina STET FRANCE TELECOM S.A. (now Telecom Argentina S.A.) in the northern region. The temporary exception was for a period of ten years as of privatization, during which the two companies were guaranteed a monopoly of telecommunications services in their respective areas of Argentina. Pursuant to Decree No. 62/90, the SBT is defined as the supply of fixed telecommunications links that form part of the public telephone network or are connected to it and the supply of urban, interurban and international voice telephony services through them.

[92] Article 1 of Decree No. 465/2000.

[93] Online information from the National Communications Commission (CNC), *La Telefonía Fija en Argentina*. Viewed at: http://www.cnc.gov.ar/ciudadanos/telefonia_fija/index.asp. A "traditional operator" means the holder of a licence for basic telephone service in the northern or southern region in the terms of Decrees Nos. 2.347/90 and 2.344/90. The regulations in Argentina define "dominant providers" (PPD) as those whose revenue earned from providing the service exceeds 75% of the total earnings of all providers of the service in question, within a specified area or at the national level, as applicable. "Significant providers" are defined as those whose income earned from providing the service exceeds 25% of the total earnings of all providers of the service in question, within a specified area or at the national level, as applicable.

in the Metropolitan Area of Buenos Aires rises to 40%.[94] There are currently four operators in the mobile telephony market: Personal (Telecom), MoviStar (Telefónica, formerly Unifón and Movicom), Claro (América Móviles, formerly CTI) and, as a provider of radio trunking services, Nextel, which focuses on the business market.

174. In 2010, the authorities launched the *Argentina Conectada* National Telecommunications Plan pursuant to Decree No. 1.552/2010. The Plan revolves around three axes: digital inclusion; more efficient use of the radio spectrum; domestic production and generation of jobs in the telecommunications sector; training and research in communications technologies; and infrastructure and connectivity. The Decree declares the development, implementation and operation of the Federal fibre optic network to be of public interest. A Planning and Strategic Coordination Commission was set up to implement the Plan. MPFIPyS Resolution No. 2.161/2010 approved the rules of procedure for the Planning and Strategic Coordination Commission for the *Argentina Conectada* National Telecommunications Plan, established its organizational structure and allotted responsibilities to its members.

(b) Regulatory and legal framework

175. The institutions involved in implementing telecommunications regulations and legislation are: the MPFIPS, the Secretariat for Communications (SECOM) within the MPFIPS, and the National Communications Commission (CNC). SECOM helps the MPFIPS in formulating, proposing and implementing telecommunications and postal policies, monitoring compliance with them and with the corresponding regulations. It is also responsible for developing draft general regulations on the provision of communications services, and for approving Argentina's radio spectrum band allocation table.[95]

176. The CNC, a decentralized SECOM body, was created by Decree No. 660/96 and is responsible for regulating, monitoring, controlling and verifying matters relating to the supply of telecommunications and postal services and use of the radio spectrum.[96] The CNC helps SECOM to update and develop the basic technical telecommunications plans and issue the general regulations for the services within its jurisdiction. The CNC is authorized to implement, interpret and ensure compliance with the decrees and other regulatory rules on telecommunications and postal services and to impose the penalties applicable if the rules on telecommunications in force are infringed. Decree No. 764/2000 provides for participation by the MEFP's Secretariat for Consumer Protection in specific activities. Another responsibility of the CNC is to administer the radio spectrum (including broadcasting), to approve equipment and materials used specifically for telecommunications, to review interconnection contracts between providers of telecommunications services and to take measures concerning the supply of satellite services in Argentina. At the international level, the CNC seconds SECOM as Argentina's representative in international telecommunications and postal organizations. An ad hoc working commission, composed of representatives of SECOM and

[94] Online information from the CNC, *Evolución y penetración del servicio*. Viewed at: http://www.cnc.gov.ar/ciudadanos/telefonia_fija/evolucion.asp#iconsumo.

[95] Online information from SECOM. Viewed at: http://www.secom.gov.ar/municipios/ver.asp?MID=10&tipo=nota&id=346.

[96] In this role, the CNC is empowered to administer, manage, monitor and control telecommunications services and systems, including telephony, the Internet, audiotext, satellites, maritime and aviation communications services, and to act to ensure compliance with the terms, quality standards and other obligations imposed by the supply of the universal basic postal service, private operators and/or other official postal services considered to be mandatory (online information from the CNC. Viewed at: http://www.cnc.gov.ar).

the CNC, was set up by SC Resolution No. 8/2009 to foster coordination between SECOM and the CNC.

177. Law No. 19.798 of 23 August 1972 (Telecommunications Law) is the principal law governing the telecommunications sector, with its amendments, including Decree No. 731/89 and the amendment thereto No. 59/90, which began the privatization and reform of the sector, together with Decree No. 60/90, which divided Argentina into two regions for the purpose of providing basic telephone services. Decree No. 62/90 approved the licensing regime for the supply of the SBT under a temporary exclusivity regime. Decree No. 264/98 of 13 March 1998 authorized the granting of licences for the provision of local and long-distance telephony services in new areas, but erected temporary barriers to the entry of new players into the market.

178. Law No. 25.000, enacted on 1 July 1998, approved the Fourth Protocol annexed to the GATS, and Decree No. 764/2000 of 3 September 2000 gave effect to liberalization of the market as of 8 November 2000. This Decree established a new regulatory framework that eliminated the barriers to the entry of new operators and provided that there should be no obstacles to the incorporation of new technologies in the telecommunications market.

179. Under Decree No. 764/2000, as of November 2000, a Single Telecommunications Services Licence has been granted without any time-limit. The licence authorizes the provider to offer any type of registered telecommunications service, with or without its own infrastructure, throughout Argentina. There are no restrictions on the participation of foreign capital. Licences may be transferred or assigned, subject to authorization. The obtaining of a licence is independent of the use of the radio spectrum frequencies, which has to be authorized by SECOM.

180. Law No. 25.891 of 28 April 2004 or Law on Mobile Communications Services, for which implementing regulations are currently being adopted by the Executive, provides that mobile communications services may only be provided through companies legally authorized for this purpose, and no reseller, wholesaler or any other person not so authorized is permitted to do so.

181. For the most part, rates for telecommunications services can be freely determined, except in the case of the SBT, which is governed by the General Tariff Structure (EGT). The latter applies to privatized companies or traditional operators (Telecom Argentina S.A. with competence for the northern zone and Telefónica de Argentina S.A. for the southern zone), as well as to independent operators in their respective areas of supply. The EGT determines the maximum rates which companies may impose on clients in their areas for the service and connection charges. These companies may set rates below the limits determined by the EGT by area, routing, long-distance routes and/or groups of clients, pursuant to Decree No. 764/2000.

182. The Public Emergency Law authorized the National Executive to renegotiate the contracts with the traditional providers. As steps in the renegotiation process, the Government signed letters of understanding with Telefónica and Telecom Argentina in 2004 and 2006. Through these letters, the licensees undertook to achieve the long-term goals relating to standard of service established in Decree No. 62/90 by 31 December 2010, while the Government approved a correction factor for the termination of incoming international calls. These letters of understanding were not, however, implemented. Consequently, even though the Executive has the power to modify the EGT, SBT rates have been frozen since 1999.[97]

[97] Online information from the CNC, *Acerca de las tarifas*. Viewed at: http://www.cnc.gov.ar/ciudadanos/telefonia_fija/tarifas.asp.

183. In accordance with Article 11 of the Licensing Regulations, new companies are free to set their rates and/or prices for the services provided for objective categories of clients. These rates must be applied without discrimination and ensure the transparency of the prices applicable to each of the services provided to the public. Article 34 of the General Regulations on Clients of Mobile Communications Services states that, even though prices can be freely set, the Regulatory Authority may exceptionally decide on any type of restriction or provide for prior authorization for duly justified reasons of public interest.

184. SC Resolution No. 98/2010 approved the Digital Portability Regime. Joint Resolution SC No. 8/11 and SCI No. 3/11 approved the timetable for implementing this Regime, which became effective throughout Argentina on 30 March 2012.[98]

185. The RNI are contained in Annex II to Decree No. 764/2000. The RNI stipulate that the rates for interconnection are to be determined freely and that they must be fair, reasonable and non-discriminatory. Significant or dominant providers are required to submit a reference interconnection offer, in which they must indicate the maximum rates applicable to each of the interconnection components. SECOM may intervene to set the price at the request of any of the parties involved in an interconnection agreement if there is disagreement with respect to conditions or rates.

186. The General Regulations on the Universal Telecommunications Service (RGSU) entered into force through implementation of Decree No. 558/2008 of 4 April 2008, replacing the former RGSU contained in Decree No. 764/2000 (Annex III). The RGSU extend coverage beyond the basic telephone service and provide for expansion of services to areas without coverage or with unsatisfied needs. They also allow for the possibility of granting subsidies for the service in high-cost areas, or to certain clients or groups of clients whose needs cannot be met according to commercial standards. SECOM is the implementing authority for the RGSU.

187. Decree No. 558/2008 introduced the Universal Service Trust Fund, created by the former RGSU to finance the investment needed for their implementation. The Fund's resources come from contributions by telecommunications service providers, which have to contribute 1% of their total earnings from providing telecommunications services, net of tax and other charges. SC Resolution No. 7/2009 approved the model trust agreement for the Fund. SC Resolution No. 154/2010 approved the methodology for making contributions to the Universal Service through the Universal Service Trust Fund's escrow account in trust.

188. In order to implement the RGSU, the Government has launched an Infrastructure and Equipment Programme, introduced by SC Resolution No. 9/2011, with the aim of establishing a new infrastructure and/or modernizing the existing one to meet Universal Service needs in areas not covered or with unsatisfied needs.

189. Under Decree No. 558/2008 and by means of SC Resolution No. 88/2009, SECOM launched the Universal Service Programme "Telephony and Broad Band Internet for Areas without a Basic Telephone Service". In March 2012, the Government issued an invitation to tender for implementation of this Programme, the objective being to give Argentina's population access to information and communications technologies. In this first bidding process, the focus is on providing telephony and broad band Internet services to 400 localities that have no basic telephony, corresponding to over 180,000 inhabitants, 1,000 schools and 80,000 pupils. The investment in

[98] Online information from SECOM, *Portabilidad Numérica*. Viewed at: http://www.secom.gov.ar/index.php?pageid=52&secc=949.

infrastructure for this part of the project is calculated at Arg$500 million. It is estimated that, overall, the Programme will reach 1,491 localities, i.e. 509,169 inhabitants and 2,792 schools, with 250,000 pupils.[99]

190. Other programmes implemented to achieve widespread use of information technologies include the Internet Programme for Educational Establishments, created by SC Resolution No. 147/2010, whose aim is to provide broad band Internet service to State-run educational establishments. The first competitive bidding took place in 2011 to connect 4,906 establishments in 17 provinces, with 1.8 million pupils. By the end of 2012, it is hoped to have 10,000 educational establishments with 3 million pupils connected. By the end of the process, it is expected that a total of 45,000 State-run educational establishments with 11.75 million pupils will have benefited from this policy. An Internet Programme for Public Libraries has also been implemented under SC Resolution No. 148/2010, the aim being to provide 2,000 public libraries with broad band Internet access.

191. Pursuant to Law No. 25.239, a 4% tax is imposed on the amount invoiced to the user for the provision of cellular or satellite telephone services. Moreover, under Decree No. 1.185/90 and amendments thereto, providers must pay a control, inspection and verification tax on the provision of telecommunications services, together with fees, duties, tariffs and charges for use of the radio spectrum. Providers with teledensity of 15% or less in a specified service and area may be exempt from payment of the tax on the income earned from providing the service in that particular area, as well as on that from providing the universal service.

(c) Audiovisual services

192. The tasks of the Federal Audiovisual Communications Services Authority (AFSCA), created in 2009, are to apply, interpret and ensure compliance with the Law on Audiovisual Communications Services (see below) and its implementing regulations. It is also AFSCA's role to prepare and update the technical regulations for this activity and to approve the technical projects of broadcasting stations, grant authorizations and approve the launching of regular broadcasts, in conjunction with the regulatory authority and the implementing authority for telecommunications.

193. Audiovisual communications services throughout Argentina are regulated by Law No. 26.522 of 10 October 2009 (Law on Audiovisual Communications Services). Under this Law, audiovisual communications services are deemed to be an activity of public interest, essential for the population's socio-cultural development. Even though it does not restrict the right to participate in this activity, it makes it subject to regulation. The Law provides that State-managed and privately-managed providers may operate audiovisual communications services, whether or not for profit, and that they must be capable of operating all the available transmission platforms and giving equitable access to them. Decree No. 1.525/2009 lays down the terms for the AFSCA's operation.

194. Ground or satellite radio communications and television services for subscribers using the radio spectrum require prior authorization by the implementing authority.

[99] MPFIPS (2012).

(iii) Financial services

(a) Main features

195. The financial services sector includes: the financial system, i.e. public and private banks, and non-banking institutions such as finance companies, and credit funds; insurance companies; and participants in the securities market.

196. Argentina undertook specific commitments on financial services in the WTO. All these commitments appear in its initial schedule of concessions as Argentina did not submit any offer in the extended negotiations on these services under the GATS. In its specific commitments, Argentina bound, without limitations, consumption abroad and commercial presence in relation to all types of bank loans and deposits, financial leasing, guarantees and commitments, money market and foreign exchange instruments, derivative products, and advisory services, among others, but left unlisted new financial services unbound.[100] In the field of insurance, Argentina bound cross-border supply and consumption abroad for maritime and air transport insurance services and reinsurance and retrocession services. In its GATS schedule of commitments, Argentina made being a member and shareholder of the securities market a prerequisite for engaging in stock exchange transactions.

(b) Banks and other financial intermediation institutions

Main features

197. During the period under review, the consolidation of Argentina's financial system continued. In early 2012, the financial system, which includes the establishments regulated by the Central Bank of the Argentine Republic (BCRA), consisted of 64 banks, 14 finance companies and two credit funds, compared to 72 banks, 16 finance companies and two credit funds notified in the previous Report. Of the total number of banks, 12 were public and 52 private.[101] Among the public banks, two were national and ten provincial or municipal. Among the private banks, 31 were local domestic-capital banks, 12 were local foreign capital banks, and nine were branches of foreign banks. Of the 14 finance companies, five were domestic-capital companies and nine foreign-capital.

198. The public banks continue to make an important contribution to financial activity. Of the top ten Argentine banks in terms of assets, three are public banks: the BNA, the largest in the country in terms of assets and loans, deposits and net worth; the Bank of the Province of Buenos Aires; and the Bank of the City of Buenos Aires. The BNA operates as a State commercial bank and as a promotion and development bank.[102]

199. The levels of financial intermediation (deposits and loans) continued their upward trend in 2011 and 2012. Bank loans to the private sector as a percentage of GDP, in particular, showed a marked rise, reaching 15.2% in 2011, even though the authorities consider that there is still

[100] Argentina has excluded from these concessions financial transactions by the Government and State-owned companies (WTO document GATS/SC/4 of 15 April 1994).
[101] Supervisory Authority for Financial and Foreign Exchange Establishments (2012).
[102] Online information from the BNA, *Perfil de la entidad*. Viewed at: http://www.bna.com.ar/institucional/institucional.asp.

considerable potential for development over the next few years.[103] It is estimated that around 88% of the balance of the financing is in pesos, compared to around 40% prior to the 2001-2002 crisis.

200. Although all financial groups increased their loans to the private sector, especially in Argentine currency, the increase was greater in the case of public banks, where it reached almost 60% in 2011.[104] In that year, loans to households and businesses recorded growth of 46.2%, with an annual rate of 42.8% for the 12 months prior to March 2012.[105] Household loans went from 43% of assets in December 2010 to 51% at the end of 2011. Loans to the business sector have been rising at even more sustained rates, especially loans to industry. The banking sector has also gradually been lessening its exposure to the public sector: in December 2011, loans to the public sector made up 10.6% of assets, 1.6 percentage points less than at the end of 2010. During the period under review, the public sector became a net creditor of the banking system. Bearing in mind the resources that are available to financial institutions from deposits by the public sector, at the end of 2011 the latter's net credit position *vis-à-vis* the banks corresponded to almost 10% of total assets, compared to a debit position of 16% at the end of 2005.

201. In 2011, for the seventh consecutive year the financial system closed its accounts with a credit balance (Arg$14,720 million), which has helped in stabilizing solvency levels. Profits in 2011 corresponded to 2.7% of assets, a level similar to that in 2010. All banking groups showed a profit, with a slight improvement in that of the public banks and a decrease among private institutions. The consolidated net assets of the financial system rose by 24.2% in 2011. The irregular loan ratio for the private sector fell to around 1.5% in March 2012, 6 percentage points less than six years previously; the non-performing loan ratio was around 1.8%. Coverage of irregular loans by provisions amounted to 158%, almost 43 percentage points more than six years previously.

202. Argentina's financial system has adequate levels of solvency. The banks' net worth increased by almost 22% during 2011, mainly attributable to book profits and, to a lesser extent, to capital inflow. In 2011, the percentage of paid-up capital was 15.5% of credit risk-weighted assets, 2.2 percentage points lower than in 2010, reflecting higher levels of financial activity, but 62% above the regulatory requirement.[106] During the first months of 2012, growth in financial intermediation slowed down slightly, but the percentage of paid-up capital rose to 15.9%.[107] All groups of financial institutions maintained a percentage of paid-up capital in excess of the minimum regulatory requirements.

203. Total deposits in the financial system (in Argentine and foreign currency) also rose rapidly over the period 2010-2012, at rates of over 20% annually. The rates of financial leverage (assets over net worth) were 9.2%, lower than in other countries in the region (according to the BCRA). In addition, despite a decline in the second half of 2011 and in 2012 in particular, the financial margin remained relatively high, especially for non-banking financial institutions (EFNB) (Table 1V.7).

[103] BCRA (2012a). In connection with this Review, the authorities emphasized that, although this percentage relating to the deepening of credit has risen by 5 percentage points since 2005, it is still below the figures prior to the 2001-2002 crisis.

[104] In December 2011, the total balance of loans to the private sector could be broken down as follows: 66.6% from private banks, 29.8% from public banks and 3.6% from non-banking financial institutions (BCRA, 2012a).

[105] BCRA (2012b)

[106] *Idem* (2012a).

[107] *Idem* (2012b).

Table IV.7
Profitability structure by group of banks, 2011
(Yearly indicators as a percentage of average net assets)

Total	Private banks		Public banks		EFNB	Financial system
	National	Foreign	National	Foreign		
Financial margin	9.0	8.4	9.6	6.4	16.6	8.0
Performance by interest	6.1	5.6	6.6	2.1	15.8	4.6
CER (benchmark stabilization coefficient) and CVS (wage variation coefficient) adjustments	0.1	0.0	0.2	0.6	0.0	0.3
Performance by securities	2.1	2.4	1.8	3.4	0.4	2.6
Variation in market value	0.7	0.5	0.9	0.4	0.4	0.6
Other financial balances	0.0	-0.1	0.1	-0.1	0.0	0.0
Performance by service	5.0	4.7	5.3	2.5	5.4	3.9
Administrative costs	-7.8	-7.6	-8.1	-5.0	-10.6	-6.7
Provision for bad debts	-0.9	-0.9	-0.8	-0.4	-2.3	-0.7
Impact of the 2001-2002 crisis	-0.1	0.0	-0.1	-0.2	0.0	-0.1
Tax burden	-1.4	-1.5	-1.3	-0.6	-1.9	-1.1
Miscellaneous	0.6	0.7	0.5	0.5	1.4	0.5
Overall performance before IG	4.4	3.7	5.1	3.1	8.6	4.3
IG	-1.4	-1.1	-1.7	-0.9	-3.1	-1.4
Closing balance (ROA)	3.0	2.6	3.4	2.3	5.5	2.9
Adjusted balance	3.0	2.6	3.5	2.5	5.5	3.0
Balance as a % of net worth (ROE)	25.6	23.1	28.1	25.2	20.9	27.1
Performance before IG as a % of net worth	37.8	33.5	42.3	34.9	9.1	40.4

Source: BCRA.

Legislative framework

204. The main provisions relating to the regulation of the banking system and other financial institutions can be found in Law No. 21.526 (Law on Financial Establishments) and amendments thereto.[108] The application of this Law and, in general, supervision of the financial intermediation system is the responsibility of the BCRA, under its Charter and the extended powers conferred on it by Law No. 25.782. The BCRA operates through the Supervisory Authority for Financial and Foreign Exchange Establishments (SEFyC). It regularly publishes an updated summary of its regulations, which may be viewed online.

205. Under Argentina's legislation, financial institutions can freely enter or withdraw from the market, conduct mergers or be taken over. The legislation does not impose any restrictions as to the nationality of investors wishing to participate in the local financial system or as regards the transactions that may be conducted by the institutions in which they participate inasmuch as the principle of equal treatment for Argentine and foreign capital prevails.

206. The establishment of new financial institutions, their expansion, merger and changes in their capital or functions require prior authorization from the BCRA. In making its decision, the BCRA takes into account considerations of expediency, the features of the project, market conditions, the record and responsibility of the applicants and their financial experience.[109] Financial institutions may be established in the form of commercial banks, investment banks, mortgage banks, finance companies, savings and loan associations for housing and other real estate, or credit funds. Depending on the transactions they are authorized to conduct, commercial banks are classified into first-tier and second-tier banks.

[108] Laws Nos. 22.051, 22.529, 22.871, 24.485, 24.627, 25.562, 25.780, 25.782, 26.173 and in Decree No. 214/2002.
[109] Resolution No. 5.355/2012.

207. Private financial institutions must be established in the form of a limited company, with the exception of branches of foreign institutions or commercial banks, which may also be established in the form of a cooperative society, and credit funds, which may only be established in the form of a cooperative society. Financial institutions may hold shares in other financial institutions, subject to authorization by the BCRA, but are prohibited from operating commercial, industrial, agricultural or other business enterprises on their own behalf, unless expressly authorized by the BCRA, which must issue a general authorization that sets out the limits and terms guaranteeing that the institution's solvency and assets are not affected.

208. The minimum capital requirement depends on the Argentine jurisdiction within which the institution's main activity is carried on, with reduced requirements in those areas that are comparatively less well supplied with banking services; for this purpose, Argentina has been divided into six regions, depending on their level of bancarization. The minimum capital requirement for banks is Arg$15 million to Arg$26 million; for credit funds, it is Arg$1 million to Arg$6 million; and for other institutions between Arg$8 million and Arg$12 million.[110]

209. The opening of branches in Argentina by Argentine or foreign financial institutions also requires prior approval from the BCRA and they must comply with the prudential regulations concerning minimum capital, liquidity, solvency, risk and return. For foreign institutions to establish branches in Argentina, the country of origin must have a consolidated supervisory regime, and the capital required must be actually and permanently located in Argentina. Representative offices of foreign financial institutions require prior authorization from the SEFyC, which is contingent upon its examination and assessment of the project concerned. The SEFyC considers applications made by institutions established abroad which have been authorized by the competent authority in the country of origin to take deposits from the public and which have not been established in countries classified as having low or no taxes. The applicant institution must also comply with the internationally accepted principles, standards or rules on the prevention of money laundering and financing of terrorism, and be subject to a consolidated monitoring system, and the supervisory authority in the country of origin must observe the *Basel Core Principles for Effective Banking Supervision*. Only natural persons may act as representatives and an alternate must be designated.

210. Any merger, takeover or transfer of business assets that may be agreed between institutions in the same or different categories also require prior authorization from the BCRA. The institution resulting from the merger or that which takes over another or incorporates its business assets must have an economic and financial structure which, in the BCRA's view, justifies the authorization to realize the project. Subject to prior approval by the BCRA, financial institutions may be converted into one in another category. The essential requirements that apply for this purpose are compliance with the minimum capital requirements and with other prudential regulations and the absence of liquidity, solvency, risk or profitability problems. Credit funds may not transfer their business assets to institutions with a different legal status or be converted into commercial institutions.

211. Financial establishments must immediately inform the SEFyC of any negotiation of shares or of any other circumstance liable to lead to a change in their status or to alter the structure of the respective groups of shareholders. The BCRA must consider whether these changes are timely and appropriate and is empowered to withhold approval or to annul authorizations granted if there have been fundamental changes in the basic conditions taken into account when granting them. Any important changes in the shareholding composition of legal persons domiciled abroad which

[110] *Idem.*

directly or indirectly control financial institutions established in Argentina must be notified to the SEFyC.

212. Prior approval from the BCRA is required for territorial expansion by financial institutions through the opening of branches in Argentina. Official financial institutions in the provinces and municipalities may authorize branches in their respective jurisdictions subject to notifying the BCRA, which may declare its opposition if the regulatory requirements for authorization are not met. The BCRA's policy on branches is to raise the level of bancarization among the population. Accordingly, it applies a policy that encourages the opening of branches in localities with low levels of bancarization. The branches must comply with the prudential regulations on minimum capital, liquidity, solvency, risk and profitability, but do not require express authorization from the BCRA, which is the case for those wishing to set up in areas where there is a better supply of financial services. In the latter case, one of the factors taken into account when granting an authorization is whether the application is associated with the simultaneous establishment of an equal number of branches or agencies in areas with less bancarization. A system of points is used to grant the authorization. Branches in zones in categories 3 to 6 must remain in operation for at least 24 months and penalties are provided if this time-frame is not respected.

213. Financial institutions may open agencies or offices in localities of up to 30,000 inhabitants for the purpose of conducting activities relating to applications for loans or other financing, credit and/or debit cards, the opening of deposit accounts and payment of wages. Agencies, but not offices, may also disburse loans and receive and pay out deposits up to a certain limit if they are in cash, pay social security contributions and collect taxes.

214. Cooperative credit funds may establish up to five agencies in addition to the parent company exclusively in the zone in which they conduct their activities and these may be in the form of offices temporarily providing services to the public or branches.

215. Financial institutions must also seek authorization from the BCRA before setting up branches or offices to represent them abroad. The requirements are similar to those relating to the opening of branches in Argentina, but the consent of the foreign country also has to be obtained. No authorization is needed for holdings in foreign financial institutions provided they do not exceed 5% of the capital or votes in the said institutions; if they do exceed this limit, prior authorization has to be obtained from the SEFyC.

216. Financial supervision is based on internationally recognized standards. The BCRA applies the basic rules on capital adequacy established by the Basel Committee on Banking Supervision and requires a ratio of total capital to risk-weighted assets of at least 8%. The capital requirements for each financial institution are determined taking into account the risks implicit in their various activities. In December 2011, three types of risk were considered: credit or counterpart, interest rate and market rate, although the road map for adoption of the Basel III measures has already been made public. In February 2012, the operational risk requirement was incorporated, with a longer timetable for implementation by smaller financial institutions (see below). Institutions must maintain the basic minimum capital fixed by the BCRA, which is the higher amount between the basic capital and the sum of the risk capital requirement.

217. The minimum credit risk capital requirement is determined by weighting the requirements for the different assets according to their risk, as shown in Table IV.8, multiplied by a rating factor

determined by the SEFyC on the basis of the institution's performance and which varies between 0.97 (highest) and 1.15 (lowest).[111]

Table IV.8
Risk-weighting of assets for the purpose of determining the minimum credit risk capital requirement

Heading	Weighting rate (%)
Resources	0
Government securities	
Government securities subject to market risk requirement and BCRA monetary regulation instruments	0
Government securities of provincial governments, local authorities and the Autonomous City of Buenos Aires, without any National Government guarantee or resources derived from Federal tax revenue sharing	100
Government bonds of OECD countries, rated "AA" or higher	20
Loans	
Loans to the non-financial private sector, with preferred guarantees in cash, security for fixed-term certificates issued by the creditor itself	0
Loans to reciprocal guarantee firms registered with the BCRA, export credit insurance, documentary credits used	50
Guarantee mortgages and trust funds	50-100
Loans to the non-financial public sector, with a National Government guarantee or resources derived from Federal tax revenue sharing	100
Loans to public banks with guarantee of co-participation to the financial sector	50
Loans with guarantees from foreign banks: parent firm or controlling bank of the local financial institution with "AA" international risk rating	0
Loans to other banks with foreign guarantees, with international risk rating in the "investment grade" category	20
Other financial intermediation credits	
Credits for operations with the BCRA	0
Rental to be paid for financial leasing of real estate and vehicles	50
Credit with the financial sector	50
Cash operations due for payment and fixed term, in securities and foreign currency, whether or not related to repo operations, for which receipt of the agreed counterpart is pending, with counterparts with international risk rating in the "investment grade" category	20
Other credit operations	100
Surety, endorsement and any other liabilities	
Differences between the market price and the strike price where favourable to the institution, through call and put option contracts covered by guarantee or repo margins on established markets	0
Book credits for deferred payment when shipment documentation has not yet been given to the client	50
Credit for compliance with contractual obligations and/or maintenance of offers	100
Credit to the non-financial public sector	100

Source: BCRA (2011), *Marco Normativo*, December. Viewed at: http://www.bcra.gov.ar/pdfs/marco/marco%20normativo.pdf.

218. The market risk capital requirement is calculated according to the value at risk (VaR) of the instruments habitually traded on the market. The total market risk capital requirement is equal to the sum of the requirement for five categories of instrument: government bonds (government securities and BCRA monetary regulation instruments), foreign government and private bonds, Argentine shares, foreign shares and positions in foreign currency and gold. The interest rate risk requirement is determined on the basis of transactions attributable to all assets and liabilities through financial intermediation not included in the market risk calculation. The operational risk requirement is calculated on the basis of gross revenue (provided that it is positive) for consecutive 12-month periods corresponding to the last 36 months prior to the month in which the calculation is made, subject to specific adjustments and multiplied by 0.15.[112]

[111] This is based on the rating system used by the SEFyC. The Supervisory Authority gives each financial institution a note ranging from 1 to 5, with 1 being the best note and 5 the worst. This rating is based on an evaluation that takes into account different aspects of the financial institution, both qualitative and quantitative. Each of the components evaluated is also given a note from 1 to 5 and the financial institution is given an overall note that is not necessarily the average of the notes for the components. This note is a factor taken into account for certain transactions such as the fractioning of the credit risk, the credit risk capital requirement, transfer of loan portfolios, opening of branches, etc.

[112] BCRA Communications "A" 5.272 and BCRA "A" 5.273 introduced an additional capital requirement to cover the operational risk from 2012 onwards, extending the limit for conserving capital before

219. Financial institutions may distribute profits provided that they are not in the process of being regularized, rehabilitated or reorganized, are not receiving financial assistance from the BCRA, are not late in complying with the information regime determined by the BCRA or fail to comply with it, and there are no shortfalls in the minimum paid-up capital or cash requirements.[113] Profits may not be distributed if the average minimum paid-up cash, after taking into account the effect of the distribution, is less than the corresponding requirement and/or the resulting minimum paid-up capital is less than the requirement, increased by 75%. For branches of foreign financial institutions, the SEFyC also takes into account the liquidity and creditworthiness of the parent companies and the markets in which they operate.

220. Banking institutions may receive financial assistance from the BCRA for temporary liquidity problems. It is a requirement that the requesting institution should have exhausted the other alternatives offered by financial assistance policy in effect at the time of the request. Among other requirements, the liquidity ratio of the requesting institution must be less than 20% and the amount of the assistance to be given must be whichever is lower among the following: the amount requested by the institution; the amount that brings the liquidity ratio up to 30%; the aggregate decrease in sources of financing (deposits, fixed-term investments, net payee positions for inter-finance loans, foreign lines of financing and negotiable bonds); 20% of the total assistance to the financial system determined in the Monetary Programme; and the difference between the institution's net worth and the debit balance for transactions through the BCRA assistance scheme. Assistance is offered for a period of 180 consecutive days and may be renewed for periods of the same length, with interest paid every 30 consecutive days at the prevailing rate. Institutions have to make pre-payments depending on how their liquidity ratio develops.[114]

221. Law No. 25.780 stipulates that the BCRA is authorized to exclude certain assets and liabilities from a bank's restructuring process. This Law also provides that, if a financial institution goes into receivership, priority should be given to refunding deposits made by natural and/or legal persons up to the amount of Arg$50,000, followed by larger deposits and by liabilities derived from credit lines granted to the institution that directly affect international trade.

222. Holdings by financial institutions in the capital of companies that do not provide services to complement financial activities may not exceed 12.5% of their registered capital and 12.5% of votes. There are no limits on holdings in companies which provide complementary services, for example, management of mutual investment funds, exploitation and management of automatic cash points, issue of credit or debit or similar cards, management of rotating savings associations, financial leasing of assets, management of payments for public services, payment of wages, or other activities specifically permitted by the BCRA.

223. Argentina's financial sector legislation also includes provisions on credit rating. For this purpose, the credit regulations provide for limits related to the capital of the loan applicant; the basic margin for the granting of loans is 100% of the client's worth. The complementary margin is 200%, provided that it does not exceed 2.5% of the financial institution's computable net equity (RPC) and the loan has been approved by the board of directors or equivalent authority. Financial institutions

distributing profits. The operational risk capital requirement is now equivalent to 15% of positive gross revenue for the previous three financial years and it is planned to introduce it gradually, with 50% of the new requirement taking effect in February 2012, 75% in August and the full amount in December 2012.

[113] Institutions that are not in the aforementioned situations may distribute profits up to the positive balance that remains after deducting the relevant legal and statutory reserves from the "Profits not earmarked" account.

[114] BCRA (2011a).

must monitor any borrower in their portfolio if the financing exceeds Arg$6,000; housing mortgages over Arg$200,000; collateral loans exceeding Arg$75,000; and personal and financing loans using credit cards that exceed Arg$15,000.

224. There are limits on credit assistance, determined as a percentage of the financial institution's RPC.[115] The individual limits for transactions with the private sector, as a percentage of the financial institution's RPC, are the following: transactions without security with an unrelated company or person, 15% (25 including security); non-tradable shares and shares in mutual investment funds and tradable shares that do not entail any market risk capital requirement, 15%; total shares and shares in mutual investment funds, 50%; financing with BCRA-approved guarantees, 25%; transactions with the financial sector, 25% (except for foreign banks not of investment grade, 5%). There is a 100% limit on financing of local financial institutions by second-tier commercial banks if they are ranked in one of the first three categories on the scale (1 to 5) of the SEFyC or 0% if they are in the last two categories.[116]

225. There are also individual limits on transactions with the non-financial public sector: the limit for loans to institutions under national jurisdiction is 50%; for loans to institutions under provincial jurisdiction, to the CABA and financing for local authorities with a provincial tax revenue sharing guarantee, the limit is 10%.[117] There is also an overall limit of 15% on financing for all municipal jurisdictions, with the exception of those with a provincial tax revenue sharing guarantee. Overall, assistance to the public sector may not exceed 75% of the institution's RPC; moreover, since July 2007, monthly assistance to the public sector has not been allowed to exceed 35% of a financial institution's assets.

226. The legislation also sets limits on the concentration of risk, defined as the sum of financing which individually exceeds 10% of an institution's RPC. Risk concentration may not be greater than

[115] The RPC (*responsabilidad patrimonial computable*) of financial institutions is calculated as follows: RPC = PNb + PNc - Cd, where PNb: net basic worth; PNc: net complementary worth; Cd: amounts to be deducted. The PNb is composed of the equity, non-capitalized contributions and adjustments to worth, reserves for profits, non-earmarked balances and instruments representing long-term subordinate debt which meet certain criteria, up to a maximum percentage of the net basic worth, which decreases to 15% in January 2013. The PNc, which may not exceed the amount of the net basic worth, includes non-earmarked balances that have not been reviewed by the auditor and those corresponding to the current financial year, 50% of the provision corresponding to the normal portfolio and the subordinate debt with a weighted average term of five years or more, which meets certain criteria and provided that it does not exceed 50% of the PNb. The amounts to be deducted are, for example, the majority of the sight balances placed with foreign financial institutions that are not of investment grade, securities that are not physically within the institution or registered with BCRA-approved custodians, securities issued by foreign countries with a rating lower than that of National Government, holdings in other financial institutions, real estate for which the transfer deeds have not been registered in the Property Register, and organizational and development costs. See BCRA (2011a) and BCRA Communication "A" 5.282 of 14 February 2012.

[116] Argentina's legislation divides commercial banks into three categories: retail banks, which may engage in all asset, liability and services transactions within the terms of Law No. 21.526; wholesale banks, which may engage in all the transactions and services permitted for retail banks under the law and the regulations, but are only authorized to take deposits from investors permitted by the respective regulations; and second-tier banks, which may engage in all asset, liability and services transactions which the law and the regulations allow retail banks to conduct, but may not take deposits from the public, except for foreign banks.

[117] Subject to certain conditions, it is possible to raise the individual limits by 15 percentage points and the overall limits by 50 percentage points when the increase in each jurisdiction concerns financial assistance granted or the holding of debt instruments issued by trusts or trust funds relating to the financing of infrastructure projects.

three times the RPC for transactions with clients, whether or not related, not taking into account financing of local financial institutions; five times the RPC if the latter are included; or ten times for second-tier banks conducting transactions with other financial institutions, whether or not related, which exceed 15% of the RPC. Financing of over 2.5% of the RPC of the lender financial institution, except for inter-finance transactions, must be approved by the Board of Directors.

227. The legislation on the financial sector imposes limits on risk stemming from loan transactions with natural or legal persons related to the financial institution.[118] The limits on financing that may be granted to each related client are determined according to the RPC of the institution and the rating given by the supervisory body. For institutions ranked from 1 to 3 (better risk), there is a limit of 10% of the RPC per client for transactions with guarantees and 5% for those without. Institutions ranked 4 to 5 may not give assistance to related clients, except for loans of up to Arg$50,000 to their directors or managers in order to meet personal or household needs. There is also an overall limit of 20% for related clients.

228. The SEFyC requires financial institutions to provide periodic reports on their asset position and compliance with technical, operational and institutional regulations. It is mandatory to report share transfers or capital contributions made in a form that is not proportional to shareholdings which, considered individually or collectively over a six-month period, represent 5% or more of the capital and/or votes, as well as subscriptions to shares on stock markets in Argentina or abroad. Significant changes in the capital ownership of foreign enterprises that control financial institutions established in Argentina must also be notified.

229. Bank deposits are protected by the Law on Financial Establishments and by the Deposit Guarantee Fund (FGD) pursuant to Law No. 24.485, which created the deposit guarantee insurance scheme. The Law provides that, if a banking institution goes into receivership, priority is given to the deposits of natural and/or legal persons up to the amount of Arg$50,000 or its equivalent in foreign currency, but only for one person per deposit. The FGD provides subsidiary and complementary coverage in addition to that provided in the Law on Financial Establishments. The FGD is managed by Seguro de Depósitos S.A. (SEDESA), a private limited company created by PEN Decree No. 540/95. All financial institutions must contribute to the FGD at a fixed monthly rate corresponding to 0.015% of deposits plus an amount that varies according to each institution's risk rating. This contribution is fixed by the BCRA. If the FGD reaches 5% of the total deposits in the financial system, the BCRA may suspend or reduce the obligation to contribute to the FGD and may also adjust the total amount which the FGD must contain when it considers that the aggregate amount is prudent in light of the situation in the financial market and the role played by the FGD. FGD resources are invested on similar terms to those fixed for placement of the BCRA's international foreign currency reserves. The financing used by the deposit insurance scheme is *ex ante* (building up of a reserve or deposit fund to cover demands for insurance as a precaution against the collapse of a member institution).[119]

230. The Fund covers several types of deposits in pesos and foreign currency up to Arg$120,000 per depositor and institution. It dealt with 39 cases between October 1996 and June 2012, disbursing

[118] Under Argentina's legislation, control of an institution occurs when a natural or legal person directly or indirectly owns 25% or more of total votes, or has held 50% or more of total votes in assemblies electing directors or similar positions, or when, even if it has less than 25% of votes, it has control of other institutions which, in turn, may affect decision-making in the institution in question, or when the BCRA, through the SEFyC, so determines.

[119] Online information from SEDESA, *Que es el Fondo de Garantía de los Depósitos (FGD)*. Viewed at: http://www.sedesa.com.ar/Section.aspx?Id=153.

a total of Arg$1,972.9 million. Of this amount, only one disbursement was made during the period under review, Arg$32.3 million in 2007. On 30 April 2012, the balance available in the Fund amounted to Arg$6,319.7 million (some US$1,400 million).[120]

231. Movements of funds in current accounts, together with other financial transactions, are subject to the tax on debits and credits in current accounts, in accordance with Law No. 25.413 and Decree No. 380/2001 of 30 March 2001 and amendments thereto. The general rate is 6% for credits; for movements of funds, it is 12%; for transactions covered by tax exemptions or social works, it is 2.5 or 5%; for credit card payments, a rate of 0.75% is applied. Under Law No. 23.427, and amendments thereto, a tax of 2% is levied on the capital of cooperative associations.

232. Since January 2012, financial institutions have been obliged to implement a company code of governance that contains guidelines concerning the responsibilities of the Board of Directors and senior management, the audits and standards applicable in relation to independence, and determines strategic objectives, organizational values and lines of responsibility, together with aspects concerning internal control and risk management. Since January 2012 as well, financial institutions have had to have a comprehensive procedure for managing risks in proportion to their size and economic importance and to the nature and complexity of their operations, taking into account the guidelines laid down by the BCRA. This comprehensive management must cover, in particular, credit, liquidity, market, interest rate and operational risks.

233. One important change during the period under review has been the implementation of Law No. 26.173 of 22 November 2006, which amended financial legislation to expand the scope of the Cooperative Credit Funds (CCC). BCRA Communication "A" No. 4.712 of 24 September 2007 implemented the Law's provisions.[121] Under these new provisions, credit funds must be set up in the form of cooperative associations and obtain an authorization from the BCRA in order to operate. They may have up to five branches within their zone of activities, including part-time offices. Members of the cooperative association must have their economic activity or be located within the zone in which the fund is authorized to operate. The initial capital requirement is Arg$1 million to Arg$6 million depending on the zone of activities.

234. There is also a basic minimum capital requirement which cooperative associations must meet on the last day of each month, corresponding to the higher amount between the basic requirement (Arg$500,000 to Arg$5 million) and the sum total of the credit, interest rate and operational risk requirements. Cooperative associations must also comply with the same credit risk requirement as that determined in general for financial institutions. As far as the interest rate risk is concerned, the provisions laid down by the BCRA for this type of institution must be observed, while for the operational risk the requirement corresponds to 10% of the sum total of the credit risk and interest rate requirements.

235. Even though the minimum credit risk capital requirements are the same as those for other financial institutions, cooperative associations are not subject to interest rate or market risk requirements. Criteria also apply to the granting of loans: at the end of each calendar month, the total amount of financing granted to members must be a minimum of 75% of the total inasmuch as the facilities given to clients established or engaged in economic activities outside the cooperative association's zone of activities must not exceed 15% of the financing. The maximum term for loans

[120] Online information from SEDESA, *Saldo Disponible*. Viewed at: http://www.sedesa.com.ar/Section.aspx?Id=155.

[121] Online information from the BCRA. Viewed at: http://www.bcra.gov.ar/pdfs/comytexord/A4712.pdf.

with full amortization on the due date is one year and for temporary loans assignable to call accounts in order to pay off bills of exchange it is 30 days. The average term for mortgages must not exceed 96 months; for commercial loans it is 60 months; for other loans, 36 months. For the first financial year, the limit for granting financing to credit call accounts is 200% of the cooperative association's RPC and 300% as of the second year.

236. The creation and operation of new foreign exchange institutions requires an authorization from the BCRA, pursuant to the provisions in Law No. 18.924 (Exchange Houses and Agencies) and its implementing Decree No. 62/71, as amended by Decree No. 427/79. Such institutions may be in the form of exchange houses, exchange agencies or exchange offices. The minimum capital requirement for exchange houses is Arg$600,000 to Arg$2.9 million, depending on the institution's category, the jurisdiction and the number of branches. For exchange agencies it is Arg$300,000 to Arg$1.45 million. Moreover, these institutions must post an operating guarantee in proportion to the minimum capital determined and have to pay an authorization fee prior to starting their activities. Authorization from the BCRA is also required to operate as an exchange broker, either individually or in an established partnership. The requirements and obligations for this type of institution are similar to those applicable to financial institutions.

(c) Securities market

237. The securities market was governed by Law No. 17.811 of 22 July 1968 on the Public Offer of Securities and supplementary regulations, and by Decree No. 677/2001 and amendments thereto. Until end 2012, these legal instruments regulated the securities market as a whole, including the public offer of securities, the organization and operation of internal stock market and over-the-counter institutions and the conduct of stockbrokers and other natural and legal persons engaged in securities trading.[122] These legal provisions were repealed by the enactment of Law No. 26.831 of 27 December 2012 (Capital Markets Law).

238. Securities markets must be set up as limited companies. Stockbrokers and brokerage firms must be registered with and be shareholders in the securities market in which they are to operate, as well as being members of the relevant stock exchange. There are no nationality or residence restrictions on being a shareholder, but to operate as a stockbroker or brokerage firm on the Buenos Aires Stock Market (Merval) it is necessary to be domiciled in the CABA, within a radius determined by Merval's Board of Directors. The securities markets supervise the stockbrokers and brokerage firms and have disciplinary powers. These disciplinary measures may include suspension or cessation of the activities by the intermediary infringing the law.

239. The National Securities Commission (CNV), a national self-governing body created by Law No. 17.811 on the Public Offer of Securities, with jurisdiction throughout Argentina, monitors and controls internal stock market and over-the-counter institutions, as well as offering and trading in negotiable securities issued by natural and legal persons. In this respect, the CNV's objective is to ensure the transparency of securities markets and the correct formation of prices thereon, as well as

[122] The legal framework of the securities market includes: Law No. 20.643 of 11 February 1974 on the regime for the purchase of private securities; Law No. 22.000 of 24 May 1979 on the responsibilities of boards of directors; Law No. 22.169 of 25 February 1980 on the responsibilities of the CNV; Law No. 23.271 of 16 October 1985, on stock market secrecy; Law No. 23.576 of 27 July 1988 on negotiable bonds; Law No. 24.083 of 18 June 1992 on mutual investment funds; Law No. 24.441 of 16 January 1995 on trust funds; Law No. 24.587 of 22 November 1995 on designating nominees of private securities; Law No. 25.246 of 10 May 2000 on concealment and laundering of assets of criminal origin; and Law No. 26.268 of 5 July 2007 on illegal terrorist organizations and financing of terrorism.

to protect investors. The CNV also oversees the secondary securities markets and their brokers, as well as the public offer of forward, futures and options contracts, their markets and clearing houses, and their brokers.[123] The Law provides that an authorization from the CNV must be obtained before securities issued can be offered to the public. The CNV keeps the register of stockbrokers and of the natural and legal persons authorized to offer securities to the public. The CNV is authorized to apply sanctions in cases of infringement of the securities market laws and regulations.

240. Argentina's capital market is composed of two principal systems: a stock market system, comprising stock exchanges, securities markets, a futures and options market, collective depositories and clearing houses; and an over-the-counter system comprising a self-regulated over-the-counter establishment called the Electronic Open Market S.A. (MAE). These establishments each play a different role, for example, registration and circulation of transactions, trading, administration of guarantees and payment of transactions, collective safe-keeping of securities and the register of shareholders.

241. In practice, Argentina's securities market is mainly concentrated in the Merval and although there are securities markets operating in other cities, they collectively represent barely 1% of the volume traded on the Merval.[124] At the end of June 2012, 133 stockbrokers and brokerage firms were participating in the Merval.[125] The volume traded during the year ending 30 June 2012 was Arg$217,833 million (around US$44,440 million), a 9.8% increase in comparison with the previous period. Of the total volume, 96.5% was traded on the Merval and only 3.5% on markets in the interior of Argentina.

242. In 2012, 64.8% of trading on the securities markets was in public sector securities, while trade in shares accounted for 5.7% of the total, the majority of the remaining amount (25.2% of the total) corresponding to bonds and repos.[126]

243. At 31 December 2011, Merval's market capitalization amounted to a total of Arg$1,980 million (around US$437,128 million), with decreases of 2.8% in peso and 11.6% in dollar terms. This difference is attributable to the depreciation of the peso.[127] The market capitalization/GDP ratio stood at 105.6% on the same date, lower than the 129.9% notified for 2010[128], with the majority of the capitalization corresponding to firms with foreign capital. The market value of Argentine firms amounted to Arg$141,024 million (or US$31,148 million), accounting for 7.5% of the GDP. This can be compared to Arg$245,889 million (or US$59,754 million), some 15.7% of the GDP, reported in 2010. The negative performance in 2011 meant a sharp drop (42.6%) in the value of the capitalization of Argentine firms (47.9% in dollar terms).[129] The fall in the share prices of companies in the oil industry, banking and telecommunications were a contributory factor in this decline.

[123] Online information from the CNV. Viewed at: http://www.cnv.gov.ar.

[124] At August 2012, the Córdoba, Mendoza and Rosario securities markets, the Coastal Securities Market and the Securities Market S.A. were operating. (Online information from the CNV, *Entitdades bajo el Control de la CNV*. Viewed at: http://www.cnv.gob.ar/bajocontrol.asp?Lang=0).

[125] Online information from the CNV, Anexo nómica agentes. Viewed at: http://www.cnv.gov.ar/Infofinan/BLOB_Zip.asp?cod_doc=172244&error_page=Error.asp.

[126] Buenos Aires Securities Market S.A. (2012).

[127] *Idem*.

[128] *Ibid*. (2011).

[129] *Ibid*. (2012).

244. In 2011, new private financing in capital markets resulted in a value of Arg$27,017 million (US$6,575 million), a 15% increase in comparison with 2010. This financing was composed of 69% of financial trust fund issues, 30% of negotiable bond issues and 1% of capital stock subscriptions.[130] In December 2011, the stock of negotiable bonds was US$9,283 million, 86% of which were issued in US dollars, 13% in Argentine currency and the remaining 1% in euros.

245. Merval's capital consists of shares; the shareholders (natural or legal persons) are authorized to act as stockbrokers or brokerage firms, and may buy and sell tradable securities on their own account or for third parties. The main functions of the Merval are the coordination, settlement, supervision and guarantee of market operations. It is empowered to take disciplinary action against stockbrokers or brokerage firms that fail to comply with the rules and regulations of Argentina's stock market system, pursuant to Law No. 17.811 (see below), or with the rules of the Merval itself. The main function of the Argentine Capital Market Institute (IAMC), an integral part of the Merval, is to advise stockbrokers and brokerage firms and promote the use of the capital market through its publications and training courses.

246. The operation of the MAE is mainly regulated by CNV Resolution No. 9.934/93 and Decree No. 677/2001.[131] Agents on the open market (AMA) must be registered with the CNV; they may be natural or legal persons, but at present all the AMA are legal persons, generally banks, finance companies or exchange houses. Public and private fixed-income securities (mainly national, Treasury, provincial and municipal bonds, Treasury bills, negotiable bonds, trust fund share certificates and investment funds) are traded on the MAE, in both spot and forward transactions. The public offer of private negotiable securities must be authorized by the CNV. Transactions may be agreed in pesos or in US dollars and must all be settled using one of the CNV-approved clearing or payment schemes.[132]

247. Pursuant to Resolution No. 597/11, since 1 March 2012 the primary placement of negotiable securities that are the subject of a public offer must be through an auction or open public bidding conducted through a computer system set up by a self-regulated entity. All primary placement schemes approved by the CNV must allow access by all markets and brokers and by stock exchanges without associated securities markets. By June 2012, the CNV had approved three primary placement schemes: the Merval, the MAE, and the Rosario Securities Market S.A. (MERVAROS). In addition, three securities markets have signed an agreement to use one of the aforementioned primary placement schemes in operation: the Córdoba Securities Market and the Coastal Securities Market S.A. in order to use the MAE scheme; and the Mendoza Securities Market S.A. in order to use the MERVAROS scheme.

248. The Securities Fund S.A. (CVSA) is an entity which, acting as a collective depository, deals with the safekeeping and registration of both public and private negotiable securities, pursuant

[130] Financial trust funds traded on the stock market are contracts under which a person (the truster) transmits to another person (the trustee) the trust fund ownership of specified assets. Only financial institutions or companies expressly authorized for this purpose by the CNV may act as financial trustees. The rights of the beneficiaries are set out in instruments, which may be participation certificates and/or debt securities. Negotiable bonds are public debt instruments issued by private companies seeking financing. See CNV (2010).

[131] Online information from the CNV. Viewed at: http://www.cnv.gov.ar/LeyesyReg/Decretos/esp/DEC677-01.htm.

[132] These are: the national schemes Argenclear S.A. and CRYL (Centre for registering and clearing public liabilities and financial trust funds operating under BCRA supervision and control) and, at the international level, Euroclear, whose headquarters are in Brussels (Belgium), and Clearstream, clearance and settlement scheme based in Luxembourg.

to Law No. 20.643 of 11 February 1974 and its supplementary rules. The CVSA is the only entity of this type authorized to operate in Argentina; its head office is in Buenos Aires and it has branches in Córdoba, Mendoza, Rosario and Santa Fe.

(d) Insurance and social security

Main features

249. At 30 June 2011, 180 insurance companies were operating in Argentina; their number and structure remained fairly stable throughout the period under review. Of these companies, 21 offered retirement insurance, 37 life insurance, 16 insurance against occupational risks, five public passenger transport insurance, and the remaining 101 covered various property risks or offered more than one type of insurance.[133] Most of these companies are privately-owned with Argentine or foreign capital, five are branches of foreign companies, and three are State-owned. In 2011, 23,100 natural persons and 470 producers' associations were acting as insurance intermediaries.

250. In the reinsurance market, the Register of Reinsurers shows that, at 30 June 2011, 34 Argentine companies and 99 foreign companies had been authorized to provide reinsurance services.[134] SSN Resolution No. 35.615/2011 provides that, as of 1 July 2011, reinsurers must be Argentine companies (see below). Since then, foreign firms have been acting as retrocessionaires.

251. The value of insurance premiums continued to increase over the period under review and in June 2011 amounted to Arg$45,000 million (around US$10,000 million), 35% more than in 2010 and almost three times the value notified for 2006 at the time of the previous Review (Arg$15,914 million). Non-life insurance accounted for 80% of the total, while 20% related to personal insurance (life, retirement and personal accident). In 2011, the insurance branch accounted for 2.7% of GDP. At 30 June 2011, the per capita direct premium was Arg$1,110 (US$247).

252. At the close of the 2011 financial year, insurance companies' assets were over Arg$75,300 million, whereas liabilities stood at Arg$55,200 million, with net worth of over Arg$15,300 million. Almost three quarters of the assets were investments, for a total of Arg$55,200 million. During each year over the period 2006-2011, insurance companies as a whole posted positive balances. In 2011, the balance was Arg$3,508 million, the result of financial gains of Arg$6,100 million and technical losses of Arg$2,600 million.

Legislative framework

253. The regulatory and supervisory authority for the sector is the National Insurance Supervisory Authority (SSN), a decentralized public agency operating under the MEP's Undersecretariat for Financial Services. The SSN's responsibilities include the control, supervision and inspection of the insurance market in accordance with the principles set out in Law No. 20.091 on insurance establishments (see below); helping to define policies for the insurance market; controlling minimum capital, foreign companies, technical reserves, withdrawal of authorizations, liquidation and penalties; supervision of insurers, insurance intermediaries, experts and liquidators; and the development and

[133] National Insurance Supervisory Authority (SSN), Communication No. 3.020/Circular EST 683, Evolución del Mercado Asegurador 2011", 23 November 2011. Viewed at: http://www.ssn.gov.ar/storage/files/circulares/7607.pdf.

[134] Online information from the SSN, *Reaseguradoras admitidas*. Viewed at: http://www.ssn.gov.ar/storage/registros/reaseguros/ree.htm.

implementation of programmes to improve the quality of the service, costs and the rapidity of procedures for policy holders.

254. In the main, insurance activities in Argentina are governed by Law No. 20.091 (Law on Insurance Establishments and their Supervision) of 7 February 1973 and amendments thereto.[135] This Law applies to insurers and reinsurers throughout Argentina. Law No. 24.241 of 18 October 1993 established the Integrated Retirement and Pensions Scheme, creating provident retirement and life insurance. This Law was amended in 2008 by Law No. 26.425 of 9 December 2008 (see below). Law No. 24.557 of 4 October 1995 on Occupational Risks provided that every employer has to be insured through an Occupational Risk Insurer (ART). The SSN's resolutions also constitute the regulatory framework for the insurance market. Resolution No. 21.523/92 and amendments thereto contain the General Regulations of the Insurance Business.[136] SSN Resolution No. 35.615/2011 constitutes the legislative framework for the reinsurance market. Insurance intermediation, which includes counselling policy holders and potential policy holders, is governed by Law No. 22.400 of 18 February 1981 on the Registration of Insurance Consultants.

255. Prior authorization from the SSN must be obtained to operate as an insurer or reinsurer in Argentina or to make any changes to the memorandum or articles of association or in the registered capital of an insurance company. Only the following may carry out insurance transactions: (a) limited companies, cooperative associations and mutual funds; (b) branches or agencies of foreign companies, if the laws of their country of domicile provide for reciprocity; and (c) national, provincial or municipal official or joint bodies and establishments. Insurance companies must have been established for the sole purpose of carrying out insurance transactions, and all the capital required must have been paid up before they may be authorized by the SSN to operate. The authorization of new operators is also subject to the expediency of their role in the insurance market. Insurers are not allowed to operate in any branch of insurance unless they have been expressly authorized to do so.

256. SSN Resolution No. 35.615/2011 provides that, as of 1 September 2011, reinsurers must be Argentine companies, with the exception of agencies of foreign reinsurance companies. The following are defined as national reinsurance companies: (i) Argentine limited companies, cooperative associations and mutual funds whose sole purpose is to provide reinsurance; (ii) branches of foreign reinsurance companies established in the Argentine Republic[137]; (iii) Argentine limited companies, cooperative associations, mutual funds, branches of foreign companies, and national, provincial or municipal official or joint bodies and establishments authorized to offer direct insurance in the Argentine Republic in the branches for which the authorization has been given. This Resolution provided that agencies of foreign reinsurance companies operating in accordance

[135] Other relevant laws are Law No. 17.418 of 6 September 1967 on Insurance Contracts, and Law No. 22.400 of 18 February 1981.

[136] New SSN resolutions amended these Regulations. Over the period 2006-2011, there were some 30 amendments to the General Regulations of the Insurance Business, contained in the relevant resolutions.

[137] Pursuant to this Resolution, no authorization may be given to branches of foreign companies established in countries where the rate of IG or similar tax is less than 20% or in countries whose domestic legislation imposes secrecy concerning the business composition of legal persons, or in jurisdictions, territories or States where there is little or no tax, the so-called "tax havens", and/or countries or territories that do not cooperate in the global struggle against the crimes of money laundering and financing of terrorism according to the criteria defined by the Financial Action Task Force (FATF).

with the previous legislation (SSN Resolution No. 24.805 and amendments thereto) had to adapt to the new Resolution's provisions before 1 September 2011.

257. Insurance against risks that might arise on Argentine territory can only be taken out through companies established in the country. Law No. 12.988 of 11 July 1947 prohibits the insuring abroad of persons, goods or any insurable interest within national jurisdiction. The aforementioned restriction does not apply to reinsurance. Insurance companies can place reinsurance with national reinsurers, with foreign reinsurers that operate in their country of origin and register with the SSN, or, using the services of a broker, with foreign reinsurers not registered with the SSN. In the latter case, the reinsurance broker must be registered with the SSN and the reinsurance company must be accredited by an international risk rating agency. Registration with the SSN is subject to certain requirements: proof of minimum capital of US$30 million and the appointment of a representative with broad administrative and legal powers, who must establish legal residence in the CABA.

258. Premiums and commissions are freely determined by insurers, although the SSN is authorized to establish minima and maxima for commissions. Where premiums are concerned, the SSN may approve uniform minimum premiums net of commission, in the form of a resolution, if the stability of the market is affected and at the request of any of the insurers' associations, after hearing the other associations. General insurance premiums are authorized by the insurer's managing body and personal insurance premiums require prior authorization by the SSN.

259. Insurance premiums are subject to a tax at a rate that varies depending on whether the company is established in Argentina or abroad, being higher in the latter case. For companies established in Argentina, the rate has been 0.1% in general since 2002, in accordance with Decree No. 687/98. The rate is 2.5% for occupational accidents and 23% for insurers established outside Argentina.

260. One of the most important changes during the period under review was the amendment of the retirement and pension scheme established by the National Law on the Integrated Retirement and Pension Scheme, Law No. 24.241 of 23 September 1993. In 2008, the assets of the ten retirement and pension fund managers (AFJP), amounting to Arg$94,400 million (US$29,300 million), were nationalized and combined into a single institution.

261. Law No. 26.425 on the Unification of the Public Social Security Scheme, approved on 20 November 2008 and enacted on 4 December 2008, provided for the unification of the integrated retirement and pension scheme into a single public social security scheme, the Argentine integrated social security scheme (SIPA). The Law abolished the former capitalization regime, replacing it with a pay-as-you-go system, guaranteeing contributors and beneficiaries of the capitalization regime identical cover and treatment to that provided by the public social security scheme. The Law provides for the transfer in cash to the National Social Security Administration (ANSES) of the assets in the individual capitalization accounts of the contributors and beneficiaries of the capitalization regime of the integrated retirement and pension scheme provided by Law No. 24.241 and amendments thereto, and that these assets should be incorporated into the Fund to guarantee the sustainability of the public pay-as-you-go social security scheme created by Decree No. 897/07. Pursuant to Law No. 26.425, the totality of the resources may only be used to pay out SIPA benefits. The Law prohibits investment of SIPA funds abroad.

262. Although the scheme was unified in 2008, Law No. 26.425 allowed the benefits of the capitalization regime to be maintained and, as of the entry into force of the law, they were paid out in the form of a social security annuity and will continue to be paid through the relevant retirement

insurance company. Contributors to the capitalization regime who had paid into their individual capitalization accounts in the form of "voluntary payments" and/or "agreed deposits" and who had not yet received social security benefits were allowed to transfer them to ANSES or to an AFJP converted into another financial institution, although they were not obliged to do so.

263. Law No. 26.425 provided that the AFJP should be liquidated and compensated with government securities in an amount that could not exceed the maximum value of their equity. These securities have to be issued according to a "minimum timetable for transfer" so as to prevent them having an impact on the securities' prices and enable the ANSES to have priority for repurchasing these securities. The Law also provides that contributors to the SIPA have the right to receive a permanent additional benefit that is determined by calculating 1.5% for each year of service with contributions made to the SIPA.

(iv) Air transport and airports

(a) Main features

264. There are a total of 54 airports in Argentina belonging to the national airports system of the Argentine Republic (SNA), seven of which are international.[138] The main airport (Ezeiza) is located 22 km outside the City of Buenos Aires and handles over 80% of international traffic. By number of passengers, the busiest airport is Aeroparque Jorge Newbery, within the City of Buenos Aires. The number of passengers carried on scheduled domestic flights (cabotage) was 6.27 million in 2011 and the number of passengers carried on international flights was 5.4 million. As at June 2012, 51 airlines had been authorized to provide cabotage flights.[139] There were also 50 facilities authorized to provide technical services, of which 11 were Argentine and the remainder foreign. Argentina did not make any commitments on air transport under the GATS.

(b) Air transport services

265. Since the previous review of trade policies in 2007, there have been changes in the composition of the entities responsible for air transport services in Argentina. Public policy for the commercial air transport sector is now the responsibility of the National Civil Aviation Administration (ANAC), a self-regulated body attached to the Secretariat for Transport in the Ministry of the Interior and Transport, created by Decree No. 239/2007 (Creation of the National Civil Aviation Administration (ANAC)). ANAC's responsibilities were previously exercised by the Undersecretariat for Commercial Air Transport in the Secretariat for Transport. Decree No. 1.770/07 (National Civil Aviation Administration - General Transfer Programme – Organizational Structure) and Decree No. 1.840/2011 (Civil Aviation – Transfer of Responsibilities) determine the organizational aspects of the new institution, together with the transfer of responsibilities. Under Decree No. 1.770/07, the Secretariat for Transport keeps responsibility for policies relating to concessions for new air routes, bilateral agreements and fares. ANAC is now the aviation authority under the Aviation Code and, in that role, manages air navigation services, regulates, supervises, controls and administers civil aviation, and proposes policies for the sector.[140] Decree No. 875/2012 reorganized the responsibilities of the Secretariat for Transport.

[138] Aeroparque (AEP), Córdoba (COR), Ezeiza (EZE), Neuquén (NQN), Mendoza (MDZ), San Juan (SJN) and Bariloche (BRC).

[139] Online information from ANAC, *Empresas argentinas autorizadas a realizar servicios aerocomerciales*. Viewed at: http://www.anac.gob.ar/spanish/pages/read/lineas-aereas-comerciales.

[140] Online information from ANAC. Viewed at: http://www.anac.gob.ar.

266. ANAC is also responsible for implementing bilateral civil aviation agreements and takes part in their negotiation.[141] It approves routes, flight frequencies, capacity and timetables for domestic and international scheduled air transport services. It keeps the National Aircraft Register and grants operating permits, contrary to the situation that prevailed at the time of the previous Review in 2007, when the Air Force's National Airworthiness Board (DNA) kept the register.[142]

267. As the aviation authority, ANAC inspects and controls public and private airfields throughout Argentina, air navigation services, airworthiness, work on aircraft, aerial work and air transport, the operation of aviation services, air transit and communications. It also grants the necessary approval and licences for both aviation and airport services. It draws up draft rules and plans for civil aviation and is responsible for collecting and administering the fees paid for air transit services and for imposing fines for failure to comply with the Aviation Code. These resources are in the first place earmarked for ANAC's budget in order to finance its operations.

268. Law No. 17.285 of 23 May 1967 and amendments thereto compose the Aviation Code. All Argentina's civil aviation regulations have been compiled into a single volume, which can be viewed online on ANAC's website.[143] Registration of an aircraft in the National Aircraft Register, currently kept by ANAC, confers Argentine nationality on the aircraft. There are no nationality requirements for owning an Argentine aircraft. A natural person must be an actual resident of Argentina; if there are several co owners, then the majority whose rights exceed half the value of the aircraft, must maintain their actual residence in Argentina. In the case of a company, it must have been established under Argentine law and have its registered office in Argentina. Persons who perform aviation duties on board Argentine-registered aircraft or on the ground must be in possession of a certificate issued by the DNA (Decree No. 1.954/77). The revalidation of aviation certificates issued abroad is governed by agreements concluded between the issuing countries and Argentina; if there is no such agreement, revalidation is subject to reciprocity.

269. A concession or prior authorization has to be obtained for any commercial aviation activities, in accordance with the requirements in the Code and its regulations. ANAC gives any person authorized to provide an air transport service an Air Services Operator's Certificate (CESA).

270. Cabotage air services are reserved for Argentine companies or nationals. However, on grounds of public interest, the Executive may authorize foreign companies to provide such services on condition of reciprocity. In the case of natural persons providing domestic air transport services, Argentine natural persons are deemed to be persons of Argentine nationality with their actual domicile in Argentina. Where companies are concerned, they must have been established and have their registered offices in Argentina, and they must be controlled and managed by persons actually domiciled in Argentina. In the case of a partnership, at least half plus one of the partners must be Argentine nationals domiciled in the country and owning a majority of the equity; in the case of a joint-stock company, a majority of the shares, corresponding to a majority of the countable votes, must be registered and owned by Argentine nationals actually domiciled in the country, a criterion applicable both to natural persons and to legal persons actually domiciled in Argentina (Decree No. 52/1994). The chairman of the executive board or board of directors, the managers and at least two thirds of the directors or executives must be Argentine nationals.

[141] *Idem*.
[142] Online information from ANAC, *Registro Nacional de Aeronaves*. Viewed at: http://www.anac.gob.ar/spanish/pages/read/registronacionaldeaeronaves.
[143] ANAC (2010).

271. The provision of cabotage or international air services requires a concession in the case of scheduled services or an authorization in the case of unscheduled air transport. Concessions are granted for specified routes and for a period of not more than 15 years, which may be extended upon request, and are non-exclusive. Flight crews must be Argentine nationals; for technical reasons a percentage of foreign crew may exceptionally be authorized for a period of not more than two years. Aircraft assigned to domestic transport services must be Argentine-registered; exceptionally, to ensure the provision of these services or for reasons of national expediency, foreign-registered aircraft may be used. The routes, flight frequencies, capacity and timetables for scheduled air transport services and fares for all services must have prior approval from ANAC.

272. In accordance with Argentina's air transport regulations, foreign airlines may provide international air transport services between Argentina and other countries, under international conventions or agreements to which Argentina is party, or with prior authorization from the Executive. The authorization granted to foreign airlines must contain at least the same obligations as those imposed on Argentine airlines providing similar services.

273. International airfares are deregulated and carriers, whether national or foreign, only have to register them with ANAC. Nevertheless, bilateral understandings signed by Argentina with other countries may contain fare clauses stipulating different criteria for approving the fares of designated carriers on bilateral routes.

274. Domestic fares for economy-class tickets on scheduled flights are governed by a fare band scheme, with a minimum (benchmark fare) and ceilings (maximum fares I and II) for each origin and destination. The latest update of the fares in effect authorized by the Secretariat for Transport can be found in ST Resolution No. 23/2012.[144] Domestic air carriers must submit the fares for air transport services to ANAC, which has to approve and register them. Fares for domestic air transport must fall within the levels determined in ST Resolution No. 23/2012 in order to be approved.

275. Provisions exist for the creation of promotional air services and for subsidizing the domestic public service on non-profitable routes. Law No. 19.030 of 27 May 1971 (implementing regulations for providing commercial air services) provides that the National Executive may give domestic carriers holding concessions for scheduled air services economic compensation if, because of the application of non-remunerative fares on routes or legs of routes declared to be of public interest for Argentina, the commercial operation of all the routes declared to be of public interest is in deficit. The Executive is also empowered to subsidize aerial work services in the same situation.[145]

276. Pursuant to Decree No. 1.654/2002 (extended by Decree No. 1.012/2006, which declared a state of emergency in commercial air transport throughout Argentina), as of 1 September 2002, Argentine air carriers have no longer been obliged to take out commercial air transport insurance in Argentina, as prescribed by Law No. 12.988 of 1947, so as to lower their insurance costs. The authorities have indicated that, following an action for protection (*acción de amparo*) brought by an association of insurance companies, this regulation is not at present being applied.

277. PEN Decree No. 1.012/2006 declared the continuation of the state of aviation emergency and established the Aviation Fuel Compensation Regime (RCCA) to be applied to domestic scheduled

[144] For further details on the fares determined in this resolution, see online information from ANAC, *Tarifas correspondientes a Resolución S.T. 23/2012*. Viewed at: http://www.anac.gob.ar/contents/webpage/media/Tarifas_SecretariaTansporte.xls.

[145] Decree No. 2.836/71 allows subsidization of aerial work when this is for the purpose of dealing with agricultural pests or natural disasters.

passenger air transport services. Resolution No. 806/2006 of the Secretariat for Transport implemented this regime, which remained in effect up to the end of 2008. The latest extension was ST Resolution No. 987/2008.[146]

278. Argentina is party to the Convention on International Civil Aviation (Chicago Convention) of 7 December 1944, ratified by Law No. 13.891 of 15 December 1949, and participates in several international air transport services agreements and conventions. Since its creation, ANAC has taken on Argentina's responsibilities under the Convention. Law No. 25.806 of 2 December 2003 ratified the Agreement on Subregional Air Services (Fortaleza Agreement) between the members of MERCOSUR, the Plurinational State of Bolivia, Chile and Peru, which is intended to facilitate the introduction of new subregional scheduled air services on routes not actually operated under bilateral agreements. Argentina has bilateral air transport agreements with 26 countries. Moreover, it has concluded bilateral understandings on commercial air transport services with 41 countries. Agreements that involve arrangements for the pooling, linking, consolidation or merging of services or business operations, as well as code sharing agreements, must be submitted to ANAC for approval.

(c) Airports and auxiliary services

279. Argentina's airports are owned by the State. However, the law allows airport management to be put out to concession. Accordingly, at June 2012, 38 of the SNA's 54 airports were being managed by concession-holders.[147] The National Airport System Regulatory Authority (ORSNA), established by Decree No. 375/97, is responsible for regulating, controlling and supervising all services provided to passengers and users of airports belonging to the SNA. ORSNA supervises and regulates the quality of the airport infrastructure and the investment needed to adapt to the level of demand.[148]

280. Pursuant to Decree No. 375/97, ORSNA establishes the rules, systems and technical procedures required to administer, operate, protect and maintain the airports belonging to the SNA and monitors compliance by concession-holders and/or airport managers with their obligations. It submits to the Executive draft proposals for the amendment and repeal of laws, decrees and/or resolutions relating to aviation. For this purpose, ORSNA Resolution No. 232 of 19 October 1998 approved the first Operating Manual for Airports in the National Airports System and ORSNA Resolution No. 96/01 of 31 July 2001 gave effect to the General Regulations on the Use and Operation of SNA Airports (REGUFA).[149] ANAC is responsible for operational control of aviation, transit services, air traffic control and flight protection, for example, timetables, issue of air tickets, boarding services and everything concerning airlines' activities.

281. ORSNA is responsible for approving tariff scales for services provided by the SNA, both as regards concession-holders and airport managers. In 2009, by means of Resolution No. 10/2009, ORSNA undertook an overall revision of tariffs, which had remained unchanged since 2001.[150] In 2011, ORSNA Resolution No. 126/2011 introduced a further revision of the rates for airport fees.

[146] Viewed at: http://www.transporte.gov.ar/UserFiles/pdfs/subsidios/rcca/rcca_noviembre08.pdf.
[147] Online information from ORSNA. Viewed at: http://www.orsna.gov.ar/contents/aeroports.html.
[148] *Idem*.
[149] Viewed at: http://www.orsna.gov.ar/pdf/REGUFA.pdf.
[150] Viewed at: http://www.orsna.gov.ar/pdf/Res_10_09.pdf. Originally, the systems for determining tariffs for airport services for domestic and international flights were contained in Annex I, *Cuadro Tarifario Inicial* to Resolution No. 53/98. Decree No. 698/2001 amended the tariffs for domestic services in the *Cuadro Tarifario Inicial*, approved by Decree No. 500/97, and amended by Decree No. 57 of 22 January 2001. Decree No. 698/2001 significantly reduced landing and parking fees for domestic flights, although the tariffs applicable to international flights remained unchanged.

For domestic flights, the airport use fee (TUA) was set at US$16.68 plus VAT and is included in the air ticket.[151] The TUA for international flights is US$33.15. In addition, a single customs and migration fee of US$10 also has to be paid. As of 1 January 2013, passengers will have to pay a US$10 security tax for both domestic and international flights, pursuant to ANAC Resolution No. 613/2012 and the amendment thereto. ORSNA's tariff scales determine the fees applicable to aircraft, such as the landing and parking fees, which depend on the aircraft's weight.

282. Since 2008, ANAC has been responsible for the control of security, the supply of air transit and/or air traffic control and/or flight protection services, aviation regulation and the provision of communications, meteorology, rescue and salvage services, and in general the technical aspects of the SNA (previously the responsibility of the Argentine Air Force). The DNA administers the standards and procedures governing airworthiness.[152]

283. As already mentioned, a concession or authorization is required to carry on any commercial air transport activity, including airport services. Market access without restrictions and national treatment apply to all auxiliary services, with the exception of air navigation services, which are reserved for the State. There are no limitations on domestic or foreign private participation in the provision of auxiliary services such as maintenance, which can be commissioned abroad. Technical aviation personnel must obtain a certificate of competency and a licence to exercise their profession. Certificates of competency and licences granted abroad are valid in Argentina subject to revalidation.

(v) Maritime transport

(a) Main features

284. Argentina has 43 main ports, eight under provincial administration and the rest privately operated. The port of Buenos Aires is the country's main port for both general and container cargo and in 2009, the latest year for which information is available, handled some 9.81 million tonnes of goods transported by river or by sea.[153] Of the total cargo handled, 4.86 million tonnes consisted of imports and 4.99 million of exports. San Lorenzo, San Martín and Rosario on the Paraná River are the country's major ports for cereals and oils.

285. As at June 2012, 28 shipping lines, with domestic or foreign capital, were operating in Argentina.[154] A substantial proportion of international goods traffic continues to use foreign-flag vessels. The market is fairly concentrated: in 2011, the four major shipping lines accounted for 56.4% of the total cargo carried and the three leading lines for 46.2%, a higher percentage than the global average, which was 33.1% that year.[155]

286. Throughout the period under review, the authorities continued to implement policies to increase the volume of traffic using Argentine ships, but the Argentine merchant fleet has been

[151] With the exception of the TUA at the airports of Trelew, Ushuaia and Calafate, where it is paid separately at specially approved counters.

[152] Online information from the DNA. Viewed at: http://www.dna.org.ar/dnaportal/institucional/Home/home.htm.

[153] Argentine Port Council (2010).

[154] Online information from the Port of Buenos Aires, *Armadores y líneas marítimas en operación*. Viewed at: http://www.puertobuenosaires.gov.ar/Notas/armador.pdf.

[155] Online information from Nuestromar, *Los armadores top en la Argentina*. Viewed at: http://www.nuestromar.com/noticias/30-05-12/armadores-top-en-argentina.

shrinking. In response to incentives to encourage national registration, 187 vessels were registered under the national flag between 2004 and 2011, with tonnage of close to 150,000 tonnes.

(b) Maritime and river transport services

287. The Undersecretariat for Ports and Navigable Waterways (SSPyVN), attached to the Secretariat for Transport, Ministry of the Interior and Transport, is responsible for the formulation, implementation and monitoring of policies and plans for river and maritime transport.[156] Within this Undersecretariat, the foremost responsibility of the National Directorate for River and Maritime Transport is to draw up, propose and implement policies, plans and programmes for river, maritime and lake transport. It is also in charge of overseeing activities concerning registration, water traffic and transport services for passengers and cargo, and for compliance with the standards for the industry and shipbuilding.[157]

288. There were no major changes to shipping legislation during the period under review. The Shipping Law or Law No. 20.094 of 2 March 1973, and Decree No. 4.516 of 16 May 1973 and succeeding enactments of the Maritime, River and Lake Shipping Regime (REGlNAVE) contain the rules applicable to maritime and river transport. Decree No. 1.772/91 of 3 September 1991 and Decree No. 817/92 of 26 May 1992 introduced the deregulation of waterborne transport. The latter Decree contains rules for the administrative reorganization and privatization of maritime, river and lake transport activities, and revoked the administrative provisions relating to the approval of tariffs, with the exception of those on conference freight. Within this free tariff regime, shipowners and/or ship brokers are required to communicate their tariffs, routes, schedules and standard of service to the SSPyVN and this information must be made public.

289. Argentina has restrictions on coastal shipping and trade (cabotage). Decree Law No. 19.492 of 25 July 1944, ratified by Law No. 12.980 of 29 July 1996, provides for cabotage to be reserved for Argentine-flag vessels. This restriction also applies to cargoes which are ultimately to be exported or when, in the course of the voyage, the vessel puts in at one or more foreign ports. The regulations on cabotage apply to transhipment, dredging and towing operations and any other service or commercial activity carried out in Argentine (maritime, river or lake) waters. Vessels providing cabotage services in Argentina must be owned by Argentine citizens or companies legally established in Argentina and registered as shipowners in the National Shipowners Register.

290. There are also legal clauses that allow exceptions to the cabotage rule in specific circumstances. Article 6 of Decree Law No. 19.492 of 25 July 1944 empowers the National Executive to authorize foreign vessels to provide national cabotage services if there are no Argentine units capable of providing them. Over the period 2006-2010, 427 waivers were granted: 72 in 2006, 135 in 2007, 124 in 2008, 44 in 2009 and 52 in 2010.[158]

291. Decree No. 1.010 of 6 August 2004 repealed Decree No. 1.772/91, which had established a provisional suspension of the Argentine flag regime. This regime had led to a sharp decline in the number of Argentine-registered vessels, from 149 on the date on which Decree No. 1.772/91 was

[156] Decrees Nos. 1.824/2004, 1.283/2003 and 1.142/2003.

[157] Online information from the SSPyVN. *Acciones de la Dirección Nacional de Transporte Fluvial y Marítimo*. Viewed at: http://www.sspyvn.gov.ar/acciones.html.

[158] Online information from the Secretariat for Transport, *Excepciones al cabotaje nacional*. Viewed at: http://www.sspyvn.gov.ar/exepciones_cabotaje09.html.

enacted to a minimum of 70 in 2002.[159] Decree No. 1.010/2004 introduced a transitional regime to boost the merchant fleet and promote the re-registration of Argentine vessels. Under this regime, Argentine shipowners were granted facilities for bareboat chartering of vessels, which may be registered under the Argentine flag temporarily and provide cabotage services.[160] Shipowners based in Argentina were originally given a period of two years in which to adapt to the new regime. Decree No. 1.022/2006 eliminated this transitional period, providing that shipowners could be covered by the regime until a new legal regime for the Argentine merchant fleet entered into force, but this has not yet been the case. Vessels eligible for the regime are authorized to carry out cabotage and international operations, being considered to be under the national flag for a period of between one to three years from the date of enrolment in the Register, depending on the duration of the charter contract. Vessels incorporated in the Register are placed under the temporary import procedure.

292. The requirements for enrolment in the Register of Vessels Considered Argentine Vessels include permanent domicile in Argentina for natural persons. For legal persons, they include: establishment of the company in Argentina; registration under its ownership or operation of at least one Argentine-flag vessel or the conclusion of a shipbuilding contract with an Argentine shipyard and registration as a shipowner; a bareboat charter contract for a vessel or floating structure for a duration of no less than one year or more than three years as of the date on which the authorization was granted; and at the time of submitting the application, the vessel or floating structure that is the subject of the bareboat charter must not be more than ten years old calculated from the date on which it was first registered. In December 2011, 37 vessels had been authorized as Argentine vessels pursuant to Decrees Nos. 1.010/2004 and 1.022/2006.[161]

293. To promote shipbuilding in national shipyards, Decree No. 1.010/2004 authorizes shipowners with vessels under construction in Argentine shipyards to use for coastal traffic for up to 24 months, under a bareboat charter contract, foreign-registered vessels with characteristics similar to those of the vessels under construction and up to 100% of the tonnage under construction, and to charter vessels intended for activities in support of offshore oil operations for the equivalent of 200% of the tonnage to be built in national shipyards.

294. Decree No. 1.010/2004 also established an import regime for inputs, parts and/or components not produced in MERCOSUR, intended for construction and repair in Argentina of vessels and floating structures classifiable in NCM headings 8901, 8902, 8904, 8905 and 8906, at a tariff rate of 0%. Foreign-flag vessels and floating structures covered by Decree No. 1.010/2004 must have exclusively Argentine crews and modifications and repairs to vessels and structures covered by the regime must be carried out in shipyards and marine workshops in Argentina. Only if it can be shown that no Argentine crews are available, foreign crews with the required capacity may be authorized for as long as Argentine crews remain unavailable; this does not, however, apply to cabotage traffic for periods exceeding 30 consecutive days, pursuant to Article 6 of Decree Law No. 19.492/44.

[159] Taking into account Decree No. 1.010/2004. Viewed at: http://www.revistarap.com.ar/Derecho/regulacion_servicios_publicos/regulacion_economica/decreto_1010_2004_marina_mercante_nacio_rag.html.

[160] Vessels and floating structures which it is considered can be built in Argentina are excluded from the regime. These include: vessels to be used for fishing; for sporting or recreational or technical, scientific and/or research activities; for transporting passengers and/or vehicles, up to 5,000 tonnes; for transporting cargo, not self-propelled; for extracting sand and/or pebbles; and tugs and support and auxiliary craft. Floating structures include dredgers, landing stages, platforms, buoys and other floating structures.

[161] Online information from the Secretariat for Transport, *Buques con tratamiento de bandera nacional autorizados: diciembre de 2011*. Viewed at: http://www.sspyvn.gov.ar/tratamientoDecreto.html.

295. In some cases, the use of Argentine-registered vessels is required in order to be eligible for preferences. Resolution No. 12/2012 of 14 May 2012 of the Secretariat for Mining provides that companies in receipt of benefits under Law No. 24.196 (Mining Investment Law) and amendments thereto must use Argentine companies to ship their exports of minerals or byproducts by sea, river, land or air. For freight that has to be transhipped prior to reaching its final destination, either using the same mode of transport and/or other intermodal transport, the cargo preference is reviewed by leg. The preference does not apply when the cargo cannot be carried by Argentine companies either because there is no hold space or no vessel, vehicle or aircraft is available.

296. Argentina is a member of the International Maritime Organization (IMO) and participates in a number of international shipping agreements administered by it. It is a signatory to the Inter-American Convention on Facilitation of International Waterborne Transportation (Convention of Mar del Plata) of 7 June 1963. Together with the Plurinational State of Bolivia, Paraguay, Uruguay and Brazil, Argentina is party to the Agreement on Facilitation of Navigation and Commercial Transport on the Paraguay-Paraná Waterway, approved by Law No. 24.385 of 21 November 1994. It has also signed bilateral cross-border river transport agreements with Brazil, Paraguay and Uruguay, including with Paraguay the Convention on Cross-Border River Transport of Passengers, Vehicles and Cargo of 31 July 1972. With Brazil, the Agreement on the Cross-Border River Transport of Passengers, Vehicles and Cargo, signed on 27 April 1997 and approved by Law No. 25.594 of 18 June 2002 is in force. An Agreement on Waterborne Transport was signed with Uruguay on 14 October 1994 and approved by Law No. 25.177 of 25 October 1999, covering the transport of passengers and vehicles between the two countries. A provisional regime on ferry services for cross-border river transport between Aguas Blancas and Pozo del Bermejo was signed with the Plurinational State of Bolivia in November 2004 and governs river traffic between these two localities until a bilateral agreement enters into force.

297. In MERCOSUR Subgroup 5 on Transport, Argentina and two other members agreed on a draft multilateral agreement on maritime transport, but it was not accepted by another member. In this Subgroup, meetings of maritime transport experts have been held in order to achieve regional integration, develop the merchant fleets of the States Party, and promote the shipping industry, with the possible incorporation of new units into the system.

298. Argentina has also signed bilateral shipping agreements with Brazil and Cuba. The Maritime Transport Agreement between Argentina and Brazil, signed on 15 August 1985 and approved by Law No. 23.557 of 12 July 1988, grants reciprocity for the transport of cargo and reserves the transport of goods between their ports to vessels registered in the two countries, whether those goods be in commercial trade or transhipment to or from third countries. The Maritime Transport Convention of 13 November 1984 between Argentina and Cuba, approved by Law No. 23.432 of 27 March 1987, reserves the carriage of their foreign trade for vessels registered in the two countries.

(c) Port services

299. Under Decree No. 1.824/2004, the SSPyVN is the authority responsible for formulating, implementing and monitoring policies relating to port services.[162] It supervises the operation of the General Administration of State-owned Ports (AGPSE), which manages the Port of Buenos Aires. Within the SSPyVN, pursuant to Decree No. 1.142/2003, the National Ports Directorate is in charge

[162] Online information from the Secretariat for Transport, *Misiones y Funciones de la Subsecretaría de Puertos y Vías Navegables*. Viewed at: http://www.transporte.gov.ar/content/misiones-pyv.

of drafting proposing and implementing ports-related policies, plans and programmes and for ensuring compliance with them. The Directorate is responsible for controlling procedures for approving ports, inspecting port operations and coordinating action by various State bodies and private entities that play a role in ports.[163]

300. Law No. 24.093 of 26 June 1992 deregulating port activities governs all matters relating to the approval, administration and operation of State-owned and private ports. Decree No. 769/93 on port activities contains the implementing regulations for Law No. 24.093. This Law provided for the decentralization of port activities, transferring ports throughout Argentina to the respective provinces. It provided that the Port of Buenos Aires should be transferred to the scope of the former Municipality of Buenos Aires, but this was vetoed by the Executive and the Port of Buenos Aires is still owned by the State.

301. The Law classifies ports according to their ownership into national, provincial, municipal or privately-owned, according to their use into public or private, and according to their purpose into commercial, industrial or recreational. It also establishes the conditions and requirements for the approval of ports and stipulates that private individuals may build, manage and operate public or private ports for commercial, industrial or recreational purposes, on public land or on their own property.

302. In order to operate, commercial and industrial ports must be approved by the Executive and this applies for as long as they continue to operate. Law No. 24.093 requires the fees, prices and other considerations paid by users to be strictly proportional to the service provided.

303. Decree No. 817/92 provided for the dissolution of the AGPSE once the ports under its jurisdiction had been privatized, transformed or transferred. In the meantime, individual administrations were provisionally established, under the AGPSE, for six ports, namely: Buenos Aires, Rosario, Quequén, Bahía Blanca, Santa Fe, and Ushuaia. As the Port of Buenos Aires remains State-owned, the AGPSE continues to operate and is currently responsible for operating and maintaining the infrastructure in the areas of the port that are not the subject of a concession. It also acts as the implementing authority and monitoring entity for compliance with the contractual terms applicable to holders of concessions for private terminals *vis-à-vis* the State.

304. The fees charged by privately-managed ports are freely fixed. The fees charged in the Port of Buenos Aires and in those ports still managed by the State are centrally fixed and a distinction is made between cabotage and international trade. For example, for quayside services and vessel taxes, cabotage vessels pay only 25% of the fee or general tax at an exchange rate of Arg$1 to US$1. Similarly, the cargo tax structure favours internal transport operations as the rate is US$3 per net registered tonne (NRT) for exports, US$1.50 for imports, and US$0.562, at an exchange rate of Arg$1 to US$1 by weight, for transport operations.[164] These fees have not changed since the previous Review.

305. Pursuant to Decree No. 2.694 of 20 December 1991, pilotage, marshalling and towing services are compulsory for foreign-flag vessels. Argentine-flag vessels with certain dimensions and draught can opt to dispense with the aforementioned services if their captains or owners comply with certain requirements with regard to experience.

[163] Online information from the SSPyVN, Acciones. Viewed at: http://www.sspyvn.gov.ar/acciones_puertos.html.

[164] Online information from the Port of Buenos Aires, *Tarifas y normas*. Viewed at: http://www.puertobuenosaires.gov.ar/tarifasynormas.html.

(vi) Professional services

(a) Main features

306. In general terms, the exercise of a profession in Argentina is not regulated. What is regulated is the curriculum for those professions whose exercise could run counter to the public interest, placing the health, safety, rights, property or education of the population directly at risk. Under Decree No. 2.293/92 on professional exercise by graduates and non-graduates, the freedom to exercise a profession is subject only to the requirement of a single registration, where appropriate. This Decree abolished the various national and provincial regulations formerly in force, which required enrolment, registration, membership of an association or other forms of registration as a requirement prior to exercising a profession with a nationally valid diploma.

307. Under Law No. 24.521 of 10 August 1995 on higher education, exercise of a profession requires official recognition of the diplomas awarded by university institutions, and this is given by the Ministry of Education. According to this Law, officially recognized diplomas attest to the academic training received and give approval for exercising the profession throughout Argentina, without prejudice to the power of law enforcement services in respect of professions coming under provincial jurisdiction.

308. In order to be recognized in Argentina and be able to exercise a profession, Law No. 24.521 requires that foreign diplomas (whether awarded to Argentine nationals or to foreigners) be revalidated by a National University (i.e. a public State university, not a provincial or private establishment) or endorsed by the Ministry of Education.

309. The system of equivalence of diplomas applies in cases where Argentina has signed bilateral or multilateral agreements on the recognition of university diplomas. Currently, the diplomas awarded by the Plurinational State of Bolivia, Colombia, Chile, Ecuador, Spain, Peru, Cuba and Mexico (agreement not yet in force) fall within this category.[165] The procedure for recognizing diplomas awarded by these countries for the exercise of a profession varies according to the agreement. For this purpose, the diploma must have been certified by the education authorities and the Argentine Consulate in the country of origin and by the Ministry of External Relations in Buenos Aires, unless the country is party to the Hague Convention of 5 October 1961, in which case the diploma is exempt from the requirement of authentication by the Ministry.

310. Decree No. 240/99 on economic deregulation contains provisions that deregulate the activities of a series of professional regimes and annuls the previous provisions on the determination of scales establishing all forms of remuneration for professional services. Public or private establishments, including professional associations and societies, are prohibited from obstructing the free negotiation of any form of remuneration. Decree No. 2.284/91 annulled the restrictions on the supply of goods and services throughout Argentina.

[165] For diplomas issued by Ecuador, Spain and Colombia (for non-accredited professions only) and Peru, Ministerial Resolution No. 252/03 provides for a procedure that includes the formation of Assessment Committees of Specialists from the National Commission for University Evaluation and Accreditation (CONEAU) to examine each application for the recognition of a diploma and advise on the relevant academic requirements.

311. Argentina participates in the regional accreditation system for academic degrees of the MERCOSUR States Parties and associate States (ARCU-SUR system), whose experimental stage is called the experimental accreditation mechanism (MEXA). Through this, joint regional accreditation is given for undergraduate degrees in MERCOSUR countries, the Plurinational State of Bolivia, Colombia and Chile. This system was created by the Memorandum of Understanding on the creation and implementation of the system for accreditation of university degrees for the regional recognition of the academic status of various diplomas in MERCOSUR and associate States, signed on 30 June 2008. The purpose of the ARCU-SUR system is to validate university degrees in the participating States on the basis of regionally agreed quality parameters; accreditation is solely academic and does not confer the right to exercise a profession. Regional accreditation currently applies to the professions of agronomy, engineering, veterinary medicine, architecture, nursing and dentistry.

312. Argentina has made full specific commitments in the professional services sector under the GATS in various areas such as legal, accounting, auditing and bookkeeping services, architecture and engineering. The commitments include market access and national treatment both for cross-border supply and for consumption abroad and commercial presence. The supply of services through the presence of natural persons is unbound with respect to market access and national treatment for all the sectors included in Argentina's GATS schedule, except for measures concerning the entry and temporary stay of managers, executives and specialists.[166]

313. In 1996, in accordance with Article VII.4 of the GATS, Argentina notified the WTO that it had ratified diploma recognition agreements with ten countries.[167] This notification has not been updated since then.

(b) Legal services

314. To practise as a lawyer it is necessary to have a national lawyer's diploma awarded by a university belonging to the national university system. If the diploma has been awarded by a foreign university, it must be endorsed by the Ministry of Education or revalidated by a national university. In all cases, to practise as a lawyer professional authorization also has to be obtained through enrolment in the Register of the Law Society of the corresponding jurisdiction.

315. Each one of Argentina's 24 jurisdictions grants registration to exercise the profession. Each local jurisdiction also has the autonomy to set up one or more law societies within its jurisdiction, in which the interested professional must be enrolled in order to obtain registration.

316. Lawyers must have their office or special domicile within the jurisdiction in which they are registered. Law No. 23.187 of 28 June 1985 contains provisions concerning the requirements for practising as a lawyer in the Federal Capital. In the provinces, lawyers can practise anywhere in the provincial territory and be enrolled in the register of the law society of their actual domicile; it is not necessary to be actually domiciled in the particular jurisdiction in which the profession is practised. As there are no nationality requirements, a foreign lawyer may open a law office. Foreign lawyers

[166] WTO document GATS/SC/4 of 15 April 1994.

[167] WTO document S/C/N/13 of 27 February 1996. The various agreements involve Argentina and one or more of the following countries: Brazil, the Plurinational State of Bolivia, Colombia, Ecuador, the Holy See, Paraguay, Peru, Spain, Uruguay and the Bolivarian Republic of Venezuela.

with national diplomas can be enrolled with the public law society of their Argentine domicile. Foreign diplomas need to be revalidated.[168]

(c) Accounting and auditing services

317. The requirements relating to chartered accountancy and other economics professions are laid down in Law No. 20.488 of 23 July 1973, and in Resolutions of the Ministry of Culture and Education Nos. 1.560 of 1 September 1980 and 1.627 of 25 October 1983. Access to the Argentine market for foreign-trained accountants depends on revalidation of the professional diploma, professional accreditation and registration in Argentina. Foreign accountancy firms may set up and offer services in Argentina.

318. Each provincial jurisdiction and the CABA regulate the activities of accountants and monitor the ethics of all professionals working within their jurisdiction. In all cases, the State has delegated this responsibility to the professional economics councils, whose scope extends exclusively to the corresponding province or jurisdiction. These councils grant and administer the registration that enables the economics professions to be practised legally. The rules to be followed are laid down in each jurisdiction in accordance with the legislation of each province or the CABA.

319. At the domestic level, through an agreement with all the 24 professional councils, Argentina endeavours to harmonize technical and accounting standards. At the international level, even though it is not party to any accountancy-related mutual recognition agreements, Argentina does participate in several ventures to harmonize accounting procedures.[169] It is involved in the MERCOSUR Integration Group on Accountancy, Economics and Administration (GIMCEA) with a view to harmonizing the rules on the exercise of the relevant professions within MERCOSUR. Argentina was also involved in the Working Party on Professional Services and replied to the questionnaire on accounting services.[170]

(vii) Tourism

320. Since 2005, Argentina's tourism sector's indicators have shown a sustained upward trend, with the exception of 2009, when there was a decline owing in part to the global economic crisis (Table IV.9).

Table IV.9
Some economic indicators for the tourism sector, 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Arrival of non-resident tourists	3,822,666	4,172,534	4,561,742	4,700,494	4,307,666	5,325,129	5,693,730
Earnings (US$ million)	2,640.9	3,249.5	4,218.1	4,530.1	3,837.5	4,816.4	5,208.0
Jobs	908,260	956,546	1,018,076	1,005,505	1,005,413	1,046,940	1,077,580
Investment (US$ million)	152	172	177	317	338	344	368

Source: Online information from the Undersecretariat for Tourism Development, *Estudios de mercado y estadísticas*. Viewed at: http://desarrolloturistico.gob.ar/inicio.

[168] Online information from the Law Society of the Federal Capital. Viewed at: http://www.cpacf.org.ar/azul/A_ReqMatric.htm#extranje.

[169] For example, through the Inter-American Accounting Association, the International Federation of Accountants and the International Accounting Standards Board.

[170] WTO document S/WPPS/W/7/Add.7 of 17 July 1996.

321. The National Tourism Law, Law No. 25.997 of 7 January 2005, governs the tourism sector in Argentina and declares it to be "of national interest" because of its "vital" role in the country's economy.[171]

322. Since it was set up in 2010, the Ministry of Tourism (MINTUR) has been responsible for formulating and implementing tourism policies. This responsibility was previously fulfilled by the Secretariat for Tourism, which was first attached to the Office of the President and, from 2008 to 2010, to the former Ministry of Industry and Tourism. MINTUR was created by a Necessity and Urgency Decree with the aim of reinforcing and extending government action in a sector which the authorities consider to be of considerable importance for the "alternative development of economic activities".[172] MINTUR drafts policies and implements programmes on tourism and, together with the Secretariat for Transport, coordinates policies on commercial air transport.[173] The Secretariat for Tourism, within MINTUR, assists the Minister in developing plans and projects for the sustainable and competitive development of Argentina's tourism offer. The Secretariat also prepares communication strategies that provide an appropriate link between tourism demand and supply, deals with incentive policies for capital investment in the sector, and handles aspects concerning the competitiveness of tourism. The strategies are drawn up mainly by the Undersecretariats for Tourism Development and National Tourism Promotion.[174]

323. MINTUR chairs the National Tourism Promotion Institute, a non-State public law body which develops and implements strategies to promote international incoming tourism and the image of Argentina abroad.[175] The Federal Tourism Council decides on government policies and actions at the Federal level and is consulted by MINTUR when deemed appropriate.[176] There are also provincial tourism promotion organizations which may issue regulations and monitor the quality of the services provided.[177]

324. The Federal Strategic Plan for Sustainable Tourism (PFETS) was drawn up in 2005 under the National Tourism Law with the objective of developing and promoting tourism in Argentina.[178] The PFETS defines a Federal map of opportunities to develop Argentina's tourism potential. In order to achieve this objective, the PFETS is built around four premises: institutional consolidation of tourism, sustainable development, balanced development of national tourism opportunities, and fostering investment through a series of incentives.[179] MINTUR updated the PFETS in 2011 to take into account the results achieved since 2005.[180] The authorities have earmarked an annual budget of Arg$553 million for the Plan and aim to attract private Argentine and foreign investment

[171] Its implementing regulations are contained in Decree No. 1.297/2006.
[172] Decree No. 919/2010.
[173] *Idem*, Article 3.
[174] Online information from the Secretariat for Tourism, *Organización*. Viewed at: http://www.turismo.gov.ar/indexfs.html.
[175] Law No. 25.997/2005, Articles 13 and 14.
[176] *Idem*, Article 10.
[177] Undersecretariat for Tourism Development (2009).
[178] Law No. 25.997/2005, Articles 2 and 7.
[179] Online information from the Undersecretariat for Tourism Development, *PFETS 2016*. Viewed at: http://desarrolloturistico.gob.ar/subsecretaria/plan-federal-estrategico-de-turismo-sustentable.
[180] *Idem*, *PFETS 2020*. Viewed at: http://desarrolloturistico.gob.ar/subsecretaria/plan-federal-estrategico-de-turismo-sustentable.

of Arg$27 million. The PFET's ultimate objective is to make Argentina a benchmark for the quality and diversity of its tourism offer and make it the foremost tourism destination in Latin America.[181]

325. Since 2005, Argentina has had a National Tourism Fund, set up for a period of ten years.[182] The Fund's finances come from various sources, including the 5% tax on the sale of scheduled and non-scheduled maritime or air transport tickets, after taxes and other contributions have been deducted.[183] The Fund has been managed by MINTUR since 2010, but was previously managed by the Secretariat for Tourism.[184] The funds go to the following programmes: tourism development, promotion of domestic tourism, social tourism, tourism quality, international lines of credit (local counterpart), personnel and other running costs, for 60% of the budget. The remaining 40% is used to finance measures to promote international incoming tourism.

326. Argentina has a number of instruments to promote investment in tourism, mainly aimed at projects which generate jobs, use Argentine raw materials or inputs, increase tourism demand or boost the sustainability and balanced development of Argentina's tourism potential.[185] Tourism projects with public investment are eligible for the national tourism investment programme (Table IV.10). The provinces forward their projects for selection by MINTUR, with the endorsement of the respective provincial tourism organization. The criteria taken into account when selecting the projects include the following: fulfilment of the PFETS objectives, upgrading of works that have received previous support, and reinforcement or generation of new tourism products.[186]

327. To finance the building or renovation of the hotel infrastructure or to purchase capital goods or labour, companies may have access to credit lines from the BNA and the Investment and Foreign Trade Bank (BICE) (Table IV.10). Provincial financial institutions also offer companies, notably MSMEs, a wide range of credit lines.[187] The budget earmarked by the Council rose from Arg$3.6 million in 2008 to Arg$24 million in 2011.[188] The Federal Investment Council also provides lines of credit to promote tourism products.[189] MINTUR receives financing from the IaDB under the programme to improve the competitiveness of the tourism sector.[190] There are also provincial incentive schemes for investment in tourism consisting of total or partial exemption or deferred payment of various contributions. Schemes are in effect in 17 of the 23 provinces and in the CABA.[191]

[181] *Idem*, *PFETS 2016*. Viewed at: http://desarrolloturistico.gob.ar/subsecretaria/plan-federal-estrategico-de-turismo-sustentable.

[182] Law No. 25.997/2005, Article 24.

[183] *Ibid*., and Decree No. 1.297/2006, Article 24.

[184] *Idem*, Article 7, and Decree No. 919/2010, Article 2.

[185] *Idem*, Article 32.

[186] *Idem*, Articles 34 and 36, Decree No. 1.297/2006, Article 27, and online information from the Undersecretariat for Tourism Development, *Inversiones turísticas: Programa Nacional de Inversiones Turísticas*. Viewed at: http://desarrolloturistico.gob.ar/inversiones/pnit.

[187] For further details, see Undersecretariat for Tourism Development (2012a and 2012b).

[188] Online information from the Undersecretariat for Tourism Development, *Inversiones turísticas: ASETUR*. Viewed at: http://desarrolloturistico.gob.ar/inversiones/asetur; and online information from the Federal Science and Technology Council, *Líneas de financiamiento: ASETUR*. Viewed at: http://www.cofecyt.mincyt.gov.ar/Asetur.htm.

[189] Undersecretariat for Tourism Development (2012a).

[190] *Idem,* (2009).

[191] The exceptions are Catamarca, Formosa, Misiones, Rio Negro, San Juan and San Luis. For further details, see Undersecretariat for Tourism Development (2011).

Table IV.10
Some incentives for investment in the tourism sector, 2007 and 2012

Type of enterprise	Amount of financing	Term (years)	Annual rate of interest	Amount granted	
				2007	2012
National tourism investment programme (MINTUR)					
Public sector	70% of the investment financed by MINTUR and the counterpart by local authorities	..	n.a.	Arg$478,900	Arg$1.72 million (for 2012)
Línea 400 Turismo (BNA)					
MSMEs	Investment and/or purchase of new capital goods of Argentine origin: Arg$800,000 or 80% of the cost (excl. VAT)	5	11%[a,b]	..	Arg$5.98 million (up to July 2012)
	Constitution of working capital: Arg$300,000 not exceeding 25% of annual sales (excl. VAT)	2	9.5%[a]		Arg$4.44 million (up to July 2012)
MSMEs affected by the eruption of the volcano Puyehue in 2011	Arg$500,000 not exceeding 25% of annual sales (excl. VAT)	3	9%[a]	n.a.	Arg$7.58 million (from September 2011 to July 2012)
Line of financing for investment in tourism and hotels (BICE)					
All	New construction[c]: Arg$15 million or 40% of the investment Extension/upgrading of services[c]: Arg$7.5 million or 60% of the investment	10	Combined rate: sales of less than Arg$300 million: 50% at fixed rate of 12% and 50% at Badlar variable rate + 1.5% Sales over Arg$300 million: 30% at fixed rate of 12% and 70% at Badlar variable rate + 1.5%	0	0
Programme to improve the competitiveness of the tourism sector (IaDB)					
All enterprises in the provinces of Misiones, Chubut, Neuquén and Río Negro	US$56 million to be disbursed over five years as of 2005	20	LIBOR + 2 points	..	..

.. Not available.

n.a. Not applicable.

a Fixed in Arg$.

b MSMEs in the provinces of the Norte Grande region (provinces of Catamarca, Corrientes, Chaco, Formosa, Jujuy, La Rioja, Misiones, Salta, Santiago del Estero, Tucumán and six departments in the north of the province of Santa Fe).

c Includes projects throughout Argentina with the exception of the CABA.

Source: Online information from the Undersecretariat for Tourism Development, *Inversiones turísticas*. Viewed at: http://desarrolloturistico.gob.ar/inversiones/pnit; online information from the BICE, *Financiamiento: Líneas de crédito*. Viewed at:: http://www.bice.com.ar; online information from the Federal Science and Technology Council, *Líneas de financiamiento: ASETUR*. Viewed at: http://www.cofecyt.mincyt.gov.ar/Asetur.htm. Undersecretariat for Tourism Development (2009), *Guía de Oportunidades de Inversión para el Sector Turismo*. Viewed at: http://desarrolloturistico.gob.ar/recursos/Inversiones/GuiaDeOportunidadesDeInversion/Guia-de-Oportunidades-de-Inversion-para-el-Sector-Turismo_2009.pdf; and Undersecretariat for Tourism Development (2012), *Guía de Asistencia Financiera para el pequeño y mediano inversor en turismo*. Viewed at: http://desarrolloturistico.gob.ar/recursos/Inversiones/AsistenciaFinanciera/Asist.%20Financiera%202012.pdf.

328. In Argentina, travel agencies include travel and tourism firms (authorized for wholesale and retail sales), tourist agencies (retail sales) and ticket offices (ticket sales).[192] A licence issued by the Secretariat for Tourism has to be obtained in order to operate a travel agency. To obtain such a (definitive) licence, a temporary permit has to be obtained (costing Arg$600) and then a provisional licence (costing Arg$600). A temporary permit does not allow any commercial activities to be

[192] Travel and tourism firms offer services to their clients and to other agencies in Argentina and abroad or to third parties. Tourist agencies offer services exclusively to their clients. Ticket offices can only book and sell tickets for all authorized means of transport or sell the services provided by travel and tourism firms and maritime and river carriers. Online information from the Cabinet Secretariat, Office of the Chief of Cabinet, *Tramites: Turismo, Deportes y Recreación: Agencias de Viaje*. Viewed at: http://200.1.116.61/argentina/tramites/index.dhtml?frame1=1&tema=4&subtema=230&grupo=.

undertaken but is granted to persons or firms planning to set up a travel agency; it is granted by category and no change of category is allowed until the provisional licence has been obtained; it is valid for six months (renewable once only) and cannot be assigned. A provisional licence, valid for one year, is granted, in the form of an enabling provision, when the temporary permit expires. One year after the issue of a provisional licence, a definitive licence is granted, for which the procedure is free of charge. A definitive licence has to be requested one month before expiry of the provisional licence. It is free of charge and does not expire.[193] When requesting a definitive licence, the applicant must deposit a guarantee endorsed to the Secretariat for Tourism.[194] The amount of this guarantee is Arg$47,730 for travel and tourism agencies, Arg$23,865 for tourist agencies, and Arg$11,932 for ticket offices.[195] A deduction is given for travel agencies established in cities in the interior of Argentina; this amounts to 10 to 50% of the amount depending on the number of inhabitants.[196] In 2012, there were 4,769 licensed travel agencies in Argentina. Travel agents must be enrolled in the Travel Agents Register in the relevant department, which is responsible for issuing and verifying licences.[197]

329. Travel agencies which provide tourism services to student groups must also have a national authorization certificate for student tourism agencies, granted by the Secretariat for Tourism (costing Arg$200 to Arg$400).[198] These certificates are valid for one year and may be renewed two months before they expire. In order to ensure the certificate remains valid, travel agencies have to submit an annual sworn statement (costing Arg$100). In addition to the deposit which every travel agency has to make when applying for a definitive licence, agencies which organize student tourism also have to contribute to the Student Tourism Fund, which is used to deal with cases of non-fulfilment of contracts. 6% of the total amount of each individual contract is paid into the Fund. Agencies which only sell such travel do not have to contribute to the Fund.[199]

330. The legal framework governing activities as a technical representative in tourist agencies includes Law No. 18.829 of 19 November 1970, Decree No. 2.182/72 and Resolutions Nos. 763/92, 752/94 and 167/03.

331. Argentina's hotel and parahotel facilities have grown since 2005 and there has been a sharp increase in investment since 2007 both in international chains and independent establishments (Table IV.11).[200] In 2009, ten establishments belonging to international chains were opened and nine belonging to Argentine chains.[201] Over 60% of the supply of hotel and parahotel accommodation is concentrated in the provinces of Buenos Aires, Córdoba, Río Negro and Entre Ríos and in the CABA.[202] The National Hotels Law of 1970 and its implementing decree govern the classification

[193] For further details on the procedure for obtaining a temporary permit, a provisional licence or a definitive licence, see the online information from the Cabinet Secretariat, Office of the Chief of Cabinet, *Tramites: Turismo, Deportes y Recreación: Agencias de Viaje*. Viewed at: http://200.1.116.61/argentina/tramites/index.dhtml?frame1=1&tema=4&subtema=230&grupo=.

[194] Law No. 18.829/1970, Article 6.

[195] Secretariat for Tourism Resolution No. 751/1994, Article 1.

[196] *Idem*, Article 2.

[197] Law No. 18.829/1970, Article 3.

[198] Laws Nos. 25.599/2002, Article 1, and 26.208/2007.

[199] Student Tourism Regulations (Secretariat for Tourism Resolution No. 237/2007).

[200] Hotel establishments: hotels, boutique hotels, aparthotels and hotels not classified. Parahotel establishments: inns, lodgings, serviced apartments, cottages/bungalows, motels, hostels, B&Bs, pensions, tourist complexes, trade union and municipal hotels, holiday camps and hostels (Undersecretariat for Tourism Development (2010)).

[201] Undersecretariat for Tourism Development (2010).

[202] *Idem*.

of tourist accommodation.[203] Establishments must be enrolled in the National Hotels Register in order to be approved.[204] The expressions "international" and "luxury" can only be used for "international tourist hotels".[205] According to information from the Undersecretariat for Tourism Development, although it has not been repealed, the National Hotels Law and its implementing decree lost their scope when the national territory of Tierra del Fuego became a province and the Government of the CABA was created.[206] The provinces have their own classification standards.[207]

Table IV.11
Tourist accommodation, 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Hotel and parahotel establishments	9,466	10,152	10,751	11,473	12,227	12,758	13,156
International chains	..	..	..	..	..	..	98
Argentine chains	..	..	..	..	..	..	224
Beds	480,382	496,171	517,852	542,082	564,368	580,376	604,330
Investment (US$ million)	152	172.5	176.8	317.9	338	334	368
International chains	113	91.7	36.3	186.8	144	116	144
Argentine chains	14	56.7	22.4	24.6	83	63	120
Independent establishments	25	24.1	118.1	106.5	109	165	104

.. Not available.

Source: Information provided by the authorities and online information from the Undersecretariat for Tourism Development, *Estudios de mercado y estadísticas*. Viewed at: http://desarrolloturistico.gob.ar/inicio; and Undersecretariat for Tourism Development (2009), *Guía de Oportunidades de Inversión para el Sector Turismo*. Viewed at: http://desarrolloturistico.gob.ar/recursos/Inversiones/GuiaDeOportunidadesDeInversion/Guia-de-Oportunidades-de-Inversion-para-el-Sector-Turismo_2009.pdf.

332. Foreign tourists may seek refund of VAT on purchases of Argentine-produced goods costing Arg$70 or more.[208]

333. Argentina has signed bilateral agreements on tourism cooperation with Armenia, the Plurinational State of Bolivia, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, the Czech Republic, Ecuador, Egypt, El Salvador, the European Union, France, Greece, Honduras, Hungary, Indonesia, Israel, Italy, Jamaica, Lebanon, Malaysia, Morocco, Nicaragua, Panama, Paraguay, Peru, Portugal, Qatar, Russia, Spain, Syria, Tunisia, Turkey, the United Kingdom, the United States, Uruguay, the Bolivarian Republic of Venezuela, and the World Tourism Organization.

[203] Law No. 18.828/1970 and Decree No. 1.818/76.
[204] Law No. 18.828/1970, Article 2.
[205] *Ibid*., Article 6. For further details on international tourist hotels, see Law No. 17.752/1968.
[206] Undersecretariat for Tourism Development (2009).
[207] For further details, see Undersecretariat for Tourism Development (2009).
[208] Decree No. 1099/1998 and General Resolutions AFIP Nos. 380/1999 and 381/1999.

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