

ARGENTINA

TRADE SUMMARY

The U.S. goods trade surplus with Argentina was \$6.0 billion in 2012, an increase of \$569 million from 2011. U.S. goods exports in 2012 were \$10.3 billion, up 4.2 percent from the previous year. Corresponding U.S. imports from Argentina were \$4.4 billion, down 3.3 percent. Argentina is currently the 29th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Argentina were \$5.8 billion in 2011 (latest data available), and U.S. imports were \$1.7 billion. Sales of services in Argentina by majority U.S.-owned affiliates were \$7.3 billion in 2010 (latest data available), while sales of services in the United States by majority Argentina-owned firms were \$13 million.

The stock of U.S. foreign direct investment (FDI) in Argentina was \$13.3 billion in 2011 (latest data available), up from \$11.2 billion in 2010. U.S. FDI in Argentina is mostly in manufacturing and nonbank holding sectors.

IMPORT POLICIES

Tariffs

Argentina is a member of the MERCOSUR common market, formed in 1991 and composed of Argentina, Brazil, Paraguay, Uruguay, and Venezuela. Venezuela was admitted as a full member in July 2012. MERCOSUR maintains a Common External Tariff (CET) schedule with a limited number of country-specific exceptions, with most favored nation (MFN) applied rates ranging from 0 percent to 35 percent *ad valorem*. Argentina's import tariffs follow the MERCOSUR CET, with some exceptions. Argentina's MFN applied rate averaged 11.4 percent in 2012. Argentina's average bound tariff rate in the WTO is significantly higher at 31.8 percent. According to current MERCOSUR procedure, any good introduced into any member country must pay the CET to that country's customs authorities. If the product is then re-exported to any other MERCOSUR country, the CET must be paid again to the second country.

At the MERCOSUR Common Market Council (CMC) ministerial meeting in December 2011, MERCOSUR members agreed to increase import duty rates temporarily to a maximum rate of 35 percent on 100 tariff items per member country. Although authorized to implement the decision as early as January 2012, Argentina waited until January 2013 to publish decree 25/2013 implementing these tariff increases. These tariff increases are valid for one year but may be extended through December 2014. The list of products affected can be found at <http://infoleg.gov.ar/infolegInternet/anexos/205000-209999/207701/norma.htm>. In June 2012, the MERCOSUR CMC further allowed up to 100 additional country-specific exceptions to the CET to be implemented for as long as one year, through December 31, 2014. As of February 2013, Argentina has not yet implemented this provision.

MERCOSUR member countries are also currently allowed to set import tariffs independently for some types of goods, including computer and telecommunications equipment, sugar, and some capital goods. In July 2012, Argentina partially eliminated its exemptions to the CET on capital goods through Decree 1026/2012 and currently imposes the 14 percent CET rate on imports of capital goods that are produced domestically; imports of certain other capital goods that are not produced domestically are subject to a reduced *ad valorem* tariff of 2 percent. A list of the goods affected and their respective tariff rates can be found in <http://infoleg.gov.ar/infolegInternet/anexos/195000-199999/199256/norma.htm>. Argentina also

has bilateral arrangements with Brazil and Uruguay on automobiles and automotive parts intended to liberalize trade and increase integration in this sector among the three countries.

Several U.S. industries have raised concerns about prohibitively high tariffs and other taxes in Argentina on certain products, including distilled spirits, restaurant equipment, and motorcycles. In early 2012, the Argentine government announced a tax increase on “high-end” imported cars and motorcycles with the stated purpose of protecting the domestic industry. Argentine consumers are now required to pay an additional 10 percent tax on such vehicles imported from outside MERCOSUR.

While the majority of tariffs are levied on an *ad valorem* basis, Argentina also charges compound rates consisting of *ad valorem* duties plus specific levies known as “minimum specific import duties” (DIEMs) on products in several sectors, including textiles and apparel, footwear, and toys. These compound import duties do not apply to goods from MERCOSUR countries and cannot exceed an *ad valorem* equivalent of 35 percent. Although the DIEMs purportedly expired on December 31, 2010, and the government of Argentina has not formally extended them, they are still being charged.

During its 39th meeting in August 2010, MERCOSUR’s CMC advanced toward the establishment of a Customs Union with its approval of a Common Customs Code (CCC) and decision 5610 (December 2010) to implement a plan to eliminate the double application of the CET within MERCOSUR. The plan was to take effect in three stages with the first phase to have been implemented no later than January 1, 2012. That deadline was not met, however. In November 2012, Argentina became the first MERCOSUR member to ratify the CCC. The CCC still must be ratified by the other MERCOSUR member countries.

Nontariff Barriers

Argentina imposes a growing number of customs and licensing procedures and requirements, which makes importing U.S. products more difficult. The measures include additional inspections, port-of-entry restrictions, expanded use of reference prices, automatic and non-automatic license requirements, and requirements that importers have invoices notarized by the nearest Argentine diplomatic mission when imported goods are below reference prices. Many U.S. companies with operations in Argentina have expressed concerns that the measures have delayed exports of U.S. goods to Argentina and, in some cases, stopped exports of certain U.S. goods to Argentina altogether.

Since 2011, the government of Argentina increased its reliance on a growth strategy that is based heavily on import substitution. To carry out this strategy, Argentina increased its use of non-automatic import licenses (see more detailed discussion below) and imposed other nontariff barriers.

Since April 2010, pursuant to Note 232, Argentina has required importers to obtain a “certificate of free circulation” from the National Food Institute (*Instituto Nacional de Alimentos*) prior to importing food products. This requirement affects all exporters of food products to Argentina and appears to serve as an import licensing requirement. U.S. companies report that this requirement is used to delay or deny the issuance of certificates of free circulation, and the issuance of such certificates is often contingent upon the importer undertaking a plan to export goods of an equivalent value.

Argentina prohibits the import of many used capital goods. Domestic legislation requires compliance with strict conditions on the entry of those used capital goods that may be imported, which are also subject to import taxes of up to 28 percent and a 0.5 percent statistical tax. Argentina has carved out exceptions for some industries (*e.g.*, graphics, printing, machine tools, textiles, and mining), enabling importation of used capital goods at a zero percent import tax. The Argentina-Brazil Bilateral Automobile Pact also bans the import of used self-propelled agricultural machinery unless it is rebuilt. Argentina prohibits the importation and sale of used or retreaded tires (but in some cases allows remolded

tires); used or refurbished medical equipment, including imaging equipment; and used automotive parts. Argentina generally restricts or prohibits the importation of any remanufactured good, such as remanufactured automotive parts, earthmoving equipment, medical equipment, and information and communications technology products. In December 2010, Argentina reintroduced an import prohibition on used clothing, which is due to expire in 2015.

In August 2012, the Argentine tax authority (*Administración Federal de Ingresos Públicos* or “AFIP”) issued Resolution 3373, which increased the tax burden for importers. The value-added tax (VAT) advance rate rose from 10 percent to 20 percent on imports of consumer goods, and from 5 percent to 10 percent on imports of capital goods. The income tax advance rate on imports of all goods increased from 3 percent to 6 percent, except when the goods are intended for consumption or for use by the importer, in which case an 11 percent income tax rate applies.

In May 2012, the Argentine National Mining Agency (*Agencia Nacional de Minería*) issued resolutions 12/2012 and 13/2012 requiring mining companies registered in Argentina to use Argentine-flagged vessels to transport minerals and their derivatives for export from Argentina and to purchase domestic capital goods, spare parts, inputs and services, in accordance with the government’s import substitution policies.

Import Licenses:

In 2012, Argentina continued the use of non-automatic licenses to restrict imports generally and to protect sectors that the Argentine government deems sensitive. Throughout 2012, approximately 600 tariff lines were subject to non-automatic licenses, including textile products, yarn, and fabrics; iron, steel, and metal products; automotive parts; chemical products; general and special purpose machinery; and consumer goods. In January 2013, the non-automatic import license requirements on these products were repealed.

U.S. firms have reported long delays in obtaining import licenses, including delays that significantly exceed the time periods contemplated by the WTO Agreement on Import Licensing Procedures. U.S. industry notes that the wait time for the issuance of non-automatic licenses generally is between 60 days to 180 days but can be longer. In many instances, import licenses are denied altogether without explanation or justification. The lack of transparency in Argentina’s implementation and administration of its import licensing regime creates uncertainty for U.S. exporters as well as U.S. investors in Argentina. Obtaining a license is reportedly burdensome and requires multiple duplicative reviews by several different government offices. Once issued, the certificates are generally valid for 60 days.

U.S. firms have also reported that applications for import licenses are often not approved unless they are accompanied by a plan to export goods from Argentina of equivalent value to those that are being imported or a plan to invest in local production facilities. These requirements are not codified in law or regulation. Rather, they are communicated to companies informally by the Argentine government.

In early January 2012, Argentina announced a new measure, effective on February 1, 2012, requiring companies to file an online affidavit, known as the Advanced Sworn Statement on Imports (or by its Spanish acronym “DJAI”) and wait for government review and approval before importing goods. All goods imported for consumption are subject to the DJAI requirement. This requirement creates additional delays and is reportedly used to restrict imports, including by imposing export or investment plans of the type required to obtain product specific non-automatic import licenses. Following the implementation of the DJAI measure, in September 2012, Argentina eliminated the automatic import licensing requirements it previously administered on 2,100 tariff lines, mainly involving consumer products.

In response to U.S. Government inquiries about its import licensing regime, Argentina has asserted that all of these measures are nondiscriminatory and consistent with WTO rules. On August 21, 2012, the United States requested consultations with Argentina under the dispute settlement provisions of the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes concerning these import restrictive measures and practices. The United States, along with Mexico and Japan, held consultations with Argentina in September 2012. After the consultations failed to resolve the issue, the United States requested the establishment of a dispute settlement panel in December 2012. The European Union and Japan joined the United States in its panel request.

Customs Valuation:

Argentina continues to apply reference values to several thousand products. The stated purpose of reference pricing is to prevent under-invoicing, and authorities establish benchmark unit prices for customs valuation purposes for certain goods that originate in, or are imported from, specified countries. These benchmarks establish a minimum price for market entry and dutiable value. Importers of affected goods must pay duties calculated on the reference value, unless they can prove that the transaction was conducted at arm's length.

Argentina also requires importers of any goods from designated countries, including the United States, that are invoiced below the reference prices to have the invoice validated by both the exporting country's customs agency and the appropriate Argentine Embassy or Consulate in that country. The government of Argentina publishes an updated list of reference prices and applicable countries, which is available at: <http://www.afip.gov.ar/aduana/valoracion/valores.criterios.pdf>.

In April 2012, Argentina issued General Resolution 3301, which established reference values for other household articles and toiletry articles of plastics (HS code 3924.90) from several countries, including the United States.

Customs External Notes 87/2008 of October 2008 and 15/2009 of February 2009 establish administrative mechanisms that restrict the entry of products deemed sensitive, such as textiles, apparel, footwear, toys, electronic products, and leather goods. While the restrictions are not country specific, they are to be applied more stringently to goods from countries considered "high risk" for under-invoicing, and to products considered at risk for under-invoicing as well as trademark fraud. The full text of Note 87/2008 can be found at: <http://www.infolegInternet/anexos/145000-149999/145766/normal.htm>.

Ports of Entry:

Argentina restricts entry points for several classes of goods, including sensitive goods classified in 20 Harmonized Tariff Schedule chapters (*e.g.*, textiles; shoes; electrical machinery; iron, steel, metal and other manufactured goods; and watches), through specialized customs procedures for these goods. A list of products affected and the ports of entry applicable to those products is available at: <http://www.infoleg.gov.ar/infolegInternet/anexos/130000-134999/131847/norma.htm>. Depending on their country of origin, many of these products are also subject to selective, rigorous "red channel" inspection procedures, and importers are required to provide guarantees for the difference in duties and taxes if the declared price of an import is lower than its reference price.

Since the first measure regarding the limitation of ports of entry was formally announced in 2005, several provincial and national legislative authorities have requested the elimination or modification of the specialized customs scheme. Through several resolutions issued by the Customs Authority in 2007, 2008, 2010, and 2011, Argentina has increased the number of authorized ports of entry for certain products.

Customs Procedures

Certificates of origin have become a key element in Argentine import procedures because of antidumping measures, criterion values, and certain geographical restrictions. In August 2009, AFIP revised through External Note 4 certificate of origin requirements for a list of products with non-preferential origin treatment. The products effected include certain organic chemicals, tires, bicycle parts, flat-rolled iron and steel, certain iron and steel tubes, air conditioning equipment, wood fiberboard, most fabrics (*e.g.*, wool, cotton, other vegetable), carpets, most textiles (*e.g.*, knitted, crocheted), apparel, footwear, metal screws and bolts, furniture, toys and games, brooms, and brushes. To receive the most favored nation tariff rate, the certificate of origin must be certified by an Argentine consulate. The certificate is valid for 180 days, which has proven problematic for some companies that import goods subject to non-automatic licenses where major delays in obtaining an import license results in their issuance after the 180 day validity period for the certificate of origin has expired.

Simplified customs clearance procedures on express delivery shipments are only available for shipments valued at \$1000 or less. Couriers also are now considered importers and exporters of goods, rather than transporters, and also must declare the tax identification codes of the sender and addressee, both of which render the process more time-consuming and costly. These regulations increase the cost not only for the courier, but also for users of courier services. The U.S. Government has raised these policies with the Ministry of Federal Planning, Public Investment and Services, the Directorate of Customs, and the National Administration of Civil Aviation.

EXPORT POLICIES

Argentina imposes export taxes on all but a few exports, including significant export taxes on key hydrocarbon and agricultural commodities. In many cases, the export tax for raw materials is set higher than the sale price of the processed product to encourage development of domestic value-added production. Crude hydrocarbon export taxes are indexed to world commodity benchmarks. Total export tax revenue in 2012 was equal to 15.5 percent of the value of all Argentine exports (stable from 15.6 percent in 2011), including goods not subject to export taxes.

Despite proposals from within and outside the Argentine Congress to reduce or eliminate export taxes, the taxes continue to be actively supported and managed by the government of Argentina, as they are a major source of fiscal revenue and create competitive advantages for downstream processors of the products subject to the tax. The following major agricultural commodities are currently subject to export taxes: soybeans at 35 percent, soybean oil and soybean meal at 32 percent, sunflower seed at 32 percent, sunflower seed meal and sunflower seed oil at 30 percent, wheat at 23 percent, and corn at 20 percent. In August 2012, Argentina increased its export tax on biodiesel to 32 percent from 20 percent and eliminated a 2.5 percent rebate. Biodiesel exports are now affected by a sliding scale tax that is reviewed every 15 days. As of the end of 2012, the effective export tax was 19.11 percent. In August 2012, pursuant to Decree 1513/2012, Argentina extended the 2009 ban on ferrous scrap exports for 360 days. Ferrous scrap is an important input to steel production.

The CCC, approved during the 39th MERCOSUR CMC meeting in August 2010, restricts future export taxes and anticipates a transition to a common export tax policy. As noted above, in November 2012, Argentina became the first MERCOSUR member to ratify the CCC. The other MERCOSUR member countries have yet to ratify it.

Export Registrations

In addition to levying high export taxes, Argentina requires major commodities to be registered for export before they can be shipped out of the country. Until 2011, the National Organization of Control of Agricultural Commercialization (ONCCA) administered the Registry of Export Operations for meat, grain (including vegetable oils), and dairy products under the provisions of Resolution 3433/2008. After ONCCA was dismantled in early 2011, part of the administration of the Registry of Export Operations was transferred to the Ministry of Agriculture (related to dairy and meat exports) and to the Ministry of Economy (related to grain exports), but reportedly there have been no major changes to procedures for registering exports. All exports must still be registered, and the government retains the authority to reject or delay exports depending on domestic price and supply conditions. One of the goals of the export registration process has been to control the quantity of goods exported, and thereby guarantee domestic supply. Export registrations of wheat, corn, beef, and dairy products continue to be subject to periodic restrictions due to shortfalls in domestic supplies.

Argentina continues to impose time restrictions on the validity of grain and oilseed export permits depending on when the export tax is paid. Under applicable regulations, export permits are valid for 45 days after registration is approved, if the export tax is paid at the time of export. Export permits may be valid for up to 365 days for corn and wheat and 180 days for soybean and sunflowers products if the exporter pays 90 percent of the export tax at the time the export license is approved.

GOVERNMENT PROCUREMENT

Law 25551 of 2011 established a national preference for local industry for most government procurement if the domestic supplier's tender, depending on the size of the company, is no more than 5 percent to 7 percent higher than the foreign tender. The preference applies to procurement by all government agencies, public utilities, and concessionaires. There is similar legislation at the provincial level. These preferences serve as barriers to participation by foreign firms.

In March 2011, the Argentine Senate approved an amendment to Law 25551 extending the entities subject to the "Buy Argentine" regime to include: (a) offices within the Argentine public sector (centralized and decentralized public administration); (b) social security institutions; (c) state-owned companies; (d) private legal entities engaged in public works and licensees and concessionaires of public utilities and other services (fixed and mobile communications, freight transportation, mining, oil and gas, etc.); (e) provincial public entities; and (f) private entities with tax benefits. In addition, the amendment would also increase the price preference for local suppliers to 10 percent. The draft law is still pending in the Argentine Lower House Committees.

Argentina is not a signatory to the WTO Agreement on Government Procurement, but it is an observer to the WTO Committee on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Argentina continued to be listed on the Priority Watch List in the 2012 Special 301 report. Argentina has made some progress with respect to intellectual property rights (IPR) enforcement, including two noteworthy actions that Argentina's judicial authorities, both civil and criminal, took in 2012 against the unauthorized distribution of pirated content over the Internet. However, significant concerns remain. IPR legal enforcement needs to be strengthened in order to combat the widespread availability of pirated and counterfeit goods. Although some industries report good cooperation with law enforcement authorities, Argentina's judicial system remains inefficient with respect to IPR enforcement, and there is a reluctance

to impose deterrent-level sentences. Piracy over the Internet is a growing concern, and overall levels of copyright piracy, in both the online and hard goods environments, remain high.

Argentina's patent backlog also remains a key concern. It takes, on average, eight years to nine years for a patent to be granted in the pharmaceutical, chemical and biotechnology sectors. The lack of adequate protection against unfair commercial use and unauthorized disclosure of undisclosed test and other data also remains a concern. Argentina also does not have an effective system to address patent issues expeditiously in connection with applications to market pharmaceutical products. The United States encourages Argentina to provide for protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products, and to provide an effective system to address patent issues expeditiously in connection with applications to market pharmaceutical products.

SERVICES BARRIERS

Effective April 1, 2012, pursuant to Resolution 3307, Argentina requires individuals and companies to file an online affidavit known as the Advance Sworn Statement on Services (or by its Spanish acronym "DJAS") and obtain approval prior to offering or purchasing offshore services if the value of the services to be provided exceeds \$100,000. U.S. companies note that the DJAS requirement creates delays and is used to restrict the purchase of foreign services and to restrict dollar-denominated payments abroad. The DJAS requirement applies to a wide range of services including professional and technical services, royalties, as well as personal, cultural and recreational services. This requirement has reportedly resulted in significant delays in purchasing services from U.S. service providers and has hindered the ability of Argentine purchasers to promptly transfer payment to the United States.

Audiovisual Services

U.S. industry remains concerned with the added costs associated with exporting movies to Argentina due to measures governing the showing, printing, and dubbing of films. Industry also has concerns regarding the practice of charging *ad valorem* customs duties on U.S. exports based on the estimated value of the potential royalty generated from the film in Argentina rather than on the value of the physical materials being imported.

Since August 30, 2011, under Resolution 2114/2011, the National Institute of Cinema and Audiovisual Arts has been authorized to tax foreign films screened in local movie theaters. Distributors of foreign films in Argentina must pay screening fees that are calculated based on the number and geographical locations of theaters at which films will be screened within Argentina. Films that are screened in 15 or fewer movie theaters are exempted.

Financial Services

Foreign bank branches in Argentina may lend only on the basis of local paid-in capital rather than on the basis of the parent bank's capital. This limitation on lending undermines the choice of juridical form exercised by the bank, *i.e.*, the branch is treated as a subsidiary.

Insurance Services

The Argentine insurance regulator (SSN) issued an order (Resolution 35.615/2011) in February 2011 prohibiting cross-border reinsurance. Since September 1, 2011, local insurers have been able to contract reinsurance only from locally based reinsurers. Foreign companies without local operations are not allowed to enter into reinsurance contracts except when the SSN determines there is no local reinsurance

capacity. On October 27, 2011, the Argentine insurance regulator issued Resolution 36.162 requiring that “all investments and cash equivalents held by locally registered insurance companies be located in Argentina.”

These regulations do not formally require the exchange of dollars into pesos; companies can convert their holdings to dollar-denominated assets based in Argentina and still be in compliance. Nevertheless, foreign insurance firms have reported pressure by the Argentine government to sell their dollars for pesos. Many of these companies have liabilities denominated in U.S. dollars, making this foreign exchange requirement difficult to meet. U.S. insurance firms also have reported that complying with the Argentine government’s informal requirements would force them to take losses due to what they believe is an official exchange rate that over-values the peso.

INVESTMENT BARRIERS

Pension System

The Argentine Parliament approved a bill to nationalize Argentina’s private pension system and transfer pension assets to the government social security agency in November 2008. Compensation to investors in the privatized pension system, including to U.S. investors, is still pending and under negotiation.

Foreign Exchange and Capital Controls

Hard currency earnings on exports, both from goods and services, must be converted to pesos in the local foreign exchange market. In November 2011, pursuant to Decree 1722/2011, Argentina eliminated the exceptions previously granted to hydrocarbon and mining exporters. These firms must now exchange their revenues to pesos on the local foreign exchange market. Revenues from exporting to Argentine foreign trade zones and from re-exporting some temporary imports are still exempted from this requirement.

Time limits on fulfilling the obligation to convert to pesos range from approximately 60 days to 360 days for goods (depending on the goods involved) and 15 days for services. For certain capital goods and situations where Argentine exports receive longer-term financing not exceeding six years, Argentine exporters receive more generous time limits. A portion of foreign currency earned through exports may be used for foreign transactions.

In April 2012, Argentina issued Resolution 142/12, which reduces the time limits for companies to convert their export earnings to pesos on the local foreign exchange market to within 15 calendar days. This requirement virtually halted exports in some industries, such as mining, that were unable to comply with the new rule. In response, the Argentine government partially eased the requirement and set differential timeframes ranging from 15 to 360 days depending on the exported product. Tariff lines and their corresponding timeframes can be found at:

<http://www.infoleg.gov.ar/infolegInternet/anexos/195000-199999/196638/texact.htm>).

Argentina has expanded its capital control regime since 2003, with the stated goal of avoiding the potentially disruptive impact on the nominal exchange rate from large short-term capital flows. In May 2005, the government issued Presidential Decree 616 revising registration requirements for inflows and outflows of capital and extending the minimum investment time period from 180 days to 365 days. The Decree also expanded the registration requirement to include “all types of debt operations of residents that could imply a future foreign currency payment to nonresidents” and requires that all foreign debt of private Argentine residents, with the exception of trade finance and initial public debt offerings that bring

foreign exchange into the market, must include provisions that the debt not need to be repaid in fewer than 365 days.

Since 2004, both foreign and domestic institutional investors have been restricted to total currency transactions of \$2 million per month, although transactions by institutions acting as intermediaries for others do not count against this limit. In June 2010, the Argentine Central Bank introduced a regulation that permitted Argentine residents to conduct more than \$2 million per month in foreign exchange transactions for specific enumerated purposes (*e.g.*, to purchase bonds issued by the federal government, to deposit in the local banking system, and to finance investment projects). The Central Bank also requires Argentine residents who purchase more than \$250,000 within a year to show that the purchase is compatible with personal income tax filings.

The Ministry of Economy implemented Decree 616 through resolutions in 2005 and 2006 that imposed more restrictive controls on the following classes of inbound investments: inflows of foreign funds from private sector debt (excluding foreign trade and initial public offerings of stock and bond issues); inflows for most fiduciary funds; inflows of nonresident funds that are destined for the holding of Argentine pesos or the purchase of private sector financial instruments (excluding foreign direct investment and the primary issuance of stocks and bonds); and investments in public sector securities purchased in the secondary market. These inflows are subject to three restrictions: (1) they may not be transferred out of the country for 365 days after their entry; (2) proceeds from foreign exchange transactions involving these investments must be paid into an account in the local financial system; and (3) a 30 percent unremunerated reserve requirement must be met, meaning that 30 percent of the amount of such transactions must be deposited in a local financial entity for 365 days in an account that must be denominated in dollars and pay no interest.

As of September 2006, a deposit is not required for capital inflows intended to finance energy infrastructure works. Furthermore, as of January 2008, a deposit is not required for inflows for the purchase of real estate property by foreigners as long as the foreign exchange liquidation occurs on the day of settlement (and transfer of the title). As of February 2009, a deposit is not required for inflows to be used for tax payments and social security contributions within the 10 days following settlement of the foreign currency exchange. Violations are subject to criminal prosecution. In October 2007, the Argentine Central Bank introduced new control measures, banning all foreign entities from participating in Central Bank initial public offerings. However, foreign firms may still trade Central Bank debt instruments on the secondary market. In November 2011, insurance firms converting non-Argentine assets to Argentine assets were also exempted from this requirement.

Argentina increased controls on retail foreign exchange in October 2011. Buyers are required to be approved by AFIP, which evaluates each request based on the individual's or company's revenue stream. Local business representatives have reported receiving amounts much lower than they requested. This has hampered the ability of Argentine importers to buy U.S. exports. In July 2012, Argentina also banned retail foreign exchange purchases for purposes of savings, and only allows such purchases, though with significant restrictions, for purposes of payment for tourism services abroad. This limited access to foreign exchange has contributed to the existence of a parallel exchange rate.

U.S. companies have reported that in 2012 the Argentine government limited their ability to make payments in foreign currency outside of Argentina. The restrictions are often communicated informally by the Argentine government and may extend to profit remittances, royalty payments, technical assistance fees, and payments for expenses incurred outside of Argentina. Companies also report that the Argentine government may eventually permit remittance of a portion of their Argentine-based revenue, but this amount is often reported to be less than what the company had intended to remit.

Non-Payment of Investment Treaty Awards

Eight U.S. firms have pending cases against the government of Argentina in investor-state arbitration under the United States-Argentina bilateral investment treaty (BIT).

Some of these claims allege that measures imposed by Argentina during the financial crisis that began in 2001 breached certain BIT obligations. Investor-state arbitral tribunals have ruled against Argentina in a number of these cases, awarding hundreds of millions of dollars to U.S. investors. To date, Argentina has resisted paying any awards made to U.S. investors. Argentina has argued that, under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), it is not required to pay damages until a prevailing claimant has completed the potentially lengthy additional process of taking all necessary steps to enforce a final ICSID award through the Argentine courts. In 2008, the U.S. Government filed a submission in an arbitration rebutting Argentina's argument and reaffirming that Argentina is obligated to pay final ICSID awards immediately. Arbitral tribunals have consistently rejected Argentina's argument.

As a result of Argentina's failure to pay two final ICSID awards, the two U.S. companies to which these awards are owed filed petitions with the Office of the United States Trade Representative seeking the suspension of benefits to Argentina under the Generalized System of Preferences (GSP). In March 2012 the President announced the suspension of Argentina's GSP benefits, which became effective in May 2012.

ELECTRONIC COMMERCE

Argentina does not allow the use of electronically produced airway bills that would accelerate customs processing and the growth of electronic commerce transactions.