

ARGENTINA

TRADE SUMMARY

U.S. goods exports in 2014 were \$10.8 billion, up 4.6 percent from the previous year. Argentina is currently the 28th largest export market for U.S. goods. Corresponding U.S. imports from Argentina were \$4.2 billion, down 8.6 percent. The U.S. goods trade surplus with Argentina was \$6.6 billion in 2014, an increase of \$874 million from 2013.

U.S. exports of services to Argentina were \$6.7 billion in 2013 (latest data available), and U.S. imports were \$1.8 billion. Sales of services in Argentina by majority U.S.-owned affiliates were \$8.9 billion in 2012 (latest data available), while sales of services in the United States by majority Argentina-owned firms were \$43 million.

The stock of U.S. foreign direct investment (FDI) in Argentina was \$15.2 billion in 2013 (latest data available), up from \$14.6 billion in 2012. U.S. FDI in Argentina is led by the manufacturing, finance/insurance, and information sectors.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

Food Safety and Animal Health

Live Cattle, Beef, and Beef Products

Argentina bans imports of all U.S. live cattle, beef, and beef products due to concerns following the positive detection of bovine spongiform encephalopathy (BSE) in an animal in the United States in 2003. In November 2010, Argentina issued a final regulation regarding BSE and the importation of bovine products, but the new regulation did not correct many of the unwarranted restrictions in force previously, nor did it allow for the import of U.S. live cattle, beef, and beef products. The United States will continue to urge Argentina to open its market fully to U.S. beef and beef products and live cattle based on science, the guidelines established by the World Organization for Animal Health (OIE), and the United States' BSE negligible risk status.

Animal Health

Pork

Argentina does not currently allow the import of U.S. pork. Argentina has indicated that for the United States to be approved to export pork to Argentina, U.S. pork must either be shipped frozen or tested for trichinosis. The United States does not consider these requirements to be necessary because U.S. producers maintain stringent biosecurity protocols that serve to limit the appearance of trichinae in the United States to extremely low levels. Discussions between the United States and Argentina on market access for U.S. pork began in 2011, after years of impasse. In October 2012, the United States provided the necessary information to the Argentine authorities to complete a risk assessment process. The Argentine Food Safety and Quality Agency (SENASA) responded on July 31, 2014. SENASA's response provided a risk assessment with requirements for pH mitigation for trichinella testing, as well as a zonal approach for Porcine Reproductive and Respiratory System and Transmissible Gastroenteritis Virus, neither of which

are consistent with OIE guidelines. The United States will continue to engage with SENASA in the coming months to resolve this issue.

Poultry

Approved poultry and poultry product imports from the United States have been suspended due to detections of Highly Pathogenic Avian Influenza (HPAI) in backyard and commercial poultry flocks in several states beginning in December 2014. Argentina does not allow imports of fresh, frozen, and chilled poultry from the United States due to concerns over Avian Influenza and Exotic Newcastle Disease (END). There have been no incidents of END in the United States for many years. USDA is working to resolve trade-related issues associated with HPAI.

Argentina issued new rules in 2012 that reaffirm the current import restrictions when there are findings of these diseases in the exporting country. Argentina has indicated that it would accept cooked poultry products from the United States, but there is no agreement yet on what the U.S. sanitary certificate will state, as Argentina has determined that the U.S. poultry inspection system is not “equivalent” to the Argentine system.

Plant Health

Apples and Pears

Since 2009, Argentina has blocked imports of U.S. apples and pears due to concerns about the efficacy of post-harvest treatments for *Erwinia Amylovora* (the bacterium that causes fire blight). The United States has submitted technical information to Argentine plant health officials documenting that there is no evidence that mature, symptomless apple and pear fruit transmit fire blight. The United States will continue to work with Argentine officials to address the issue and reinstate the issuance of permits for importation.

IMPORT POLICIES

Tariffs

Argentina is a member of the MERCOSUR common market, formed in 1991 and composed of Argentina, Brazil, Paraguay, Uruguay, and Venezuela. 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 zero percent to 35 percent *ad valorem*. Argentina’s import tariffs follow the MERCOSUR CET with some exceptions. Argentina’s MFN applied rate averaged 13.4 percent in 2013. Argentina’s average bound tariff rate in the WTO is significantly higher at 31.9 percent. According to current MERCOSUR procedures, 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 implemented the tariff increases in Decree 25/2013, published in January 2013. These tariff increases were valid for one year, with the option to extend them for an additional year. Argentina extended these tariff increases through December 2014. In October 2014, in Decree 1676/2014, Argentina modified the list of products subject to tariff increases. The list of products subject to the tariff increases as of October 2014 can be viewed at: <http://www.infoleg.gob.ar/infolegInternet/anexos/235000-239999/235857/norma.htm>. These tariff increases are still in force.

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. Argentina currently imposes a 14 percent tariff on imports of capital goods that are also 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 at <http://infoleg.gov.ar/infolegInternet/anexos/195000-199999/199256/norma.htm>.

Argentina has bilateral arrangements with Brazil and Uruguay on automobiles and automotive parts intended to provide preferential access among the three countries. Mexico and Argentina also have a separate bilateral trade agreement regarding automobiles and automotive parts.

Several U.S. industries have raised concerns about prohibitively high tariffs and other taxes in Argentina on certain products, including distilled spirits, restaurant equipment, motorcycles, and cars.

Nontariff Barriers

Argentina imposes a growing number of customs and licensing procedures and requirements, which make importing U.S. products difficult. The measures include additional inspections, restrictions on entry ports, expanded use of reference prices, import license requirements, and other requirements, such as a requirement that importer invoices be notarized by the nearest Argentine diplomatic mission when imported goods are valued 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.

Argentina's increased use of nontariff barriers is a function of the government of Argentina's increasing reliance on a growth strategy that is based heavily on import substitution. Argentina's import restrictions also appear intended to address concerns about declining currency reserves.

Argentina requires 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 importation of food products, 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, and such goods are also subject to import taxes. Pursuant to Decree 2646/2012, capital goods that may be imported are subject to 28 percent tax if there is existing local production of the good, a 14 percent tax in the absence of existing local production, and a 6 percent tax for used capital goods for the aircraft industry. The conditions for importing used capital goods are as follows:

- Used capital goods can only be imported directly by the end user;
- Overseas reconditioning of the goods is allowed only if performed by the original manufacturer. Third-party technical appraisals are not permitted;
- Local reconditioning of the good is subject to technical appraisal only to be performed by INTI (state-run Institute of Industrial Technology), except for aircraft related items;
- Regardless of where the reconditioning takes place, the Argentine Customs Authority requires at the time of import the presentation of a "Certificate of Import of Used Capital Goods." This

certificate is issued by the Secretariat of Foreign Trade and after the approval by the Secretariat of Industry; and

- The time period during which the imported used capital good cannot be transferred (sold or donated) is four years.

There are 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. In September 2013, some types of aircraft were added to the list of exceptions. In January 2014, the Secretary of Commerce and the Minister of Industry issued resolutions (Resolutions 12/2014 and 4/2014) providing that the import certificate for used capital goods would have a duration of 60 working days from the issuing date. In October 2014, the Secretary of Commerce and the Minister of Industry issued Resolutions 184/2014 and 294/2014 to allow temporarily the importation of used capital goods by the hydrocarbon industry.

Under the Argentina-Brazil Bilateral Automobile Pact, Argentina bans the import of used self-propelled agricultural machinery unless it is imported to be rebuilt in country. Argentina also 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 goods, such as remanufactured automotive parts, earthmoving equipment, medical equipment, and information and communications technology products. In the case of remanufactured medical goods, imports are further restricted by the requirement that the importer of record must be the end user, such as a hospital, doctor, or clinic. Such parties are generally not accustomed to importing and are not typically registered as importers.

Argentina maintains an import prohibition on used clothing, which is due to expire in December 2015.

In August 2012, the Argentine Tax Authority (Administración Federal de Ingresos Públicos or AFIP) issued Resolution 3373, which raised the rate of certain taxes that are charged after import duties are levied, thereby increasing 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 January 2014, the Argentine government introduced a sliding scale tax on vehicles (Decree 2/2014), which was modified in December 2014 to reflect inflation (Decree 2578/2014). From January 2015 through June 30, 2015, cars priced above 195,500 pesos (approximately \$24,135, based on the 2014 average official exchange rate of 8.1 pesos to the U.S. dollar) are subject to a 30 percent tax, while vehicles priced above 241,500 pesos (approximately \$29,815) are subject to a 50 percent tax. Motorbikes priced above 34,500 pesos (approximately \$4,260) are taxed at 30 percent, and motorbikes priced above 61,500 pesos (approximately \$7,592) are taxed at 50 percent. The tax is applied on top of the normal import duty. The government plans to review the tax program to determine whether to continue it after June 30.

On September 18, 2014, Argentina amended the 1974 National Supply Law to expand the ability of the government to regulate private enterprises by setting minimum and maximum prices and profit margins for goods and services of private enterprises. The law covers all economic processes related to such goods and services at any stage of economic activity. Private companies determined by the government to be making “artificial” or “unjustified” profits may be subject to fines of up to 10 million pesos (approximately \$1.2 million) and a potential 90-day closure of their business. In June 2014, under the authority of the amended Supply Law, Argentina required pharmaceutical companies, including some U.S. companies, to lower their prices of certain medicines. In October 2014, the government imposed hefty fines on automakers Peugeot

and Renault for failing to meet mandated delivery schedules and to provide an adequate supply of cars at a specified price for the government's auto stimulus program, Pro.Cre.Auto.

In January 2014, the government launched a consumer goods price control program that established price caps on nearly 200 hundred basic consumer goods. Although the government claims that participation in the program is voluntary, several supermarkets have reportedly been subject to steep fines for failing to stock all of the products subject to price caps. Since the program was first launched in January 2014, the number of products subject to price caps has increased substantially, and the maximum prices have been revised several times. The most recent changes occurred on January 12, 2015, when the government announced the addition of 58 new products covered by the program and an average maximum price increase of 3.8 percent. More than 450 products are currently subject to price caps. The list of goods and their maximum prices can be found at:

http://www.precioscuidados.com/static/files/canastasAsu/2015_nuevos/amba.pdf?PuyFC

Import Licenses

Argentina requires companies to file an online affidavit, known as the Advanced Sworn Statement on Imports (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 used to restrict imports. 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. Argentina also repealed its use of product-specific nonautomatic import licenses in January 2013 via Resolution 11/2013. Prior to that, Argentina had used product-specific non-automatic licenses to restrict imports and provide protection in sectors that the Argentine government deemed sensitive. Argentina uses the DJAI requirement and other licensing requirements to extract commitments from importers to export goods from Argentina, increase investments in Argentina, increase the use of local content, refrain from repatriating profits, and limit the volume or value of imports.

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 the DJAI requirement, the product-specific import licenses (which were subsequently repealed), and the commitments Argentina requires importers to comply with in order to receive import approvals. After 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. In August 2014, the panel ruled in favor of the United States, the EU, and Japan, finding that Argentina's import licensing requirement and other import restrictions breach international trade rules. In September 2014, Argentina appealed the panel decision, and on January 15, 2015, the Appellate Body affirmed the earlier findings of the WTO panel.

In September 2014, the Central Bank of Argentina lowered the permitted amount for payments abroad from \$300,000 to \$150,000. For payments over \$150,000, Central Bank authorization is required. Many U.S. companies have reported that this lowered threshold has increased delays in their ability to import goods. Some companies also have expressed concerns because this new regulation has not been published.

In November 2014, in Decree 2103/2014, the Argentine government established the Unit of Monitoring and Traceability of Foreign Trade Operations. This Unit will be coordinated jointly by the Chief of Cabinet and involves participation from the Ministry of Economy, the Customs Office, the AFIP, the National Securities and Exchange Commission, Financial Information Unit, and the Central Bank, among other financial regulatory agencies. The cited objective of this Joint Unit is to track all international trade operations to ensure transparency and accuracy and to prevent over- and under-invoicing by commercial

entities. Many enterprises, especially multinationals, have expressed concerns that this Joint Unit will further increase controls over international trade.

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>.

Argentina maintains 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 or trademark fraud.

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>.

Customs Procedures

Certificates of origin have become a key element in Argentine import procedures in order to enforce antidumping measures, reference prices (referred to as "criterion values"), and certain geographical restrictions. Argentina requires certificates of origin for certain categories of products, including 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 MFN tariff rate, a product's certificate of origin must be certified by an Argentine embassy or consulate, or carry a "U.S. Chamber of Commerce" seal. For products with many internal components, such as machinery, each individual part is often required to be notarized in its country of origin, which can be very burdensome. Importers have stated that the rules governing these procedures are unclear and can be arbitrarily enforced.

Simplified customs clearance procedures on express delivery shipments are only available for shipments valued at US \$1,000 or less. Couriers 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.

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.

In October 2014, the Argentine government issued Resolution 803/2014, which reduces export taxes from previous levels for hydrocarbon goods and their derivatives (crude oil or bituminous mineral). The resolution provides that the export duty will be 13 percent if the international barrel price is lower than the established reference price or \$503 per cubic meter; 11.50 percent if the price is lower than \$75 per barrel or \$472 per cubic meter, and 10 percent if the price is lower than \$70 per barrel or \$440 per cubic meter. In response to falling international oil prices, in December 2014, the government issued Resolution 1077/2014, which established that beginning in January 2015 the export duty will be one percent whenever the international Brent crude reference price is below \$70 per barrel.

Despite proposals from within and outside the Argentine Congress to reduce or eliminate some export taxes, the government continues to support and manage those taxes. Agricultural export taxes are a major source of fiscal revenue for the government, providing \$12.5 billion for government coffers in 2013. Argentina applies export taxes in the form of differential export tariffs with rates for processed goods reduced to incentivize value-added processes. Differential taxes are applied to the soy and grain sectors as follows: soybeans at 35 percent; soybean oil and soybean meal at 32 percent; biodiesel mainly from soy oil currently at 14 percent to 15 percent, although that rate fluctuates; sunflower seed at 32 percent; sunflower seed meal and sunflower seed oil at 30 percent; wheat at 23 percent; wheat flour at 13 percent; and corn at 20 percent with corn flour at 15 percent. Other export taxes include beef at 15 percent; poultry, pork, apples, pears, and wine at 5 percent; and lemons, sweet citrus, at 2.5 percent. On December 3, 2013, in Decree 2014/2013, Argentina increased the export taxes on soybean pellets and animal food that contains soybean hulls and waste from 5 percent to 32 percent.

In April 2014, Argentina issued Decree 374/2014 banning exports of iron and steel scrap for 360 days in an attempt to ensure domestic supply. The export tax for iron ore is 10 percent.

The MERCOSUR Common Customs Code (CCC) restricts future export taxes and anticipates a transition to a common export tax policy. In November 2012, Argentina became the first MERCOSUR member to ratify the CCC, but all MERCOSUR member countries must ratify the CCC before it goes into effect.

Export Registrations and Permits

Argentina requires major agricultural commodities to be registered for export before they can be shipped out of the country. Part of the administration of the Registry of Export Operations resides in the Ministry of Agriculture (related to dairy and meat exports), and the balance resides in the Ministry of Economy (related to grain exports). Other measures directly targeted at keeping domestic prices down include suspending or limiting issuance of export permits for corn, wheat, and beef, as well as implementing price controls on some retail beef, poultry, and dairy products. In 2012, the government modified its export quota scheme for wheat and corn in an attempt to make exports more responsive to market signals. While the government still requires a certain amount of each crop to be held for domestic consumption and stocks, the remaining production may be exported.

Argentina continues to impose restrictions on the time period for which grain and oilseed export permits are valid 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.

SUBSIDIES

On June 24, 2014, Argentina announced an auto stimulus package known as Pro.Cre.Auto I, which provides consumers with subsidized financing for purchases of new domestically-produced autos. Under this program, the government-owned Argentine National Bank (Banco La Nación Argentina), financed up to 90 percent of the value of a vehicle up to 120,000 pesos (approximately \$14,815) at an interest rate of 17 percent per annum, as compared to 19 percent for customers of other financial institutions. The preferential financing term was five years, and monthly payments could not exceed 30 percent of one-month's salary of the consumer. The Pro.Cre.Auto I program expired on September 24, 2014 and was replaced by Pro.Cre.Auto II, which had essentially the same terms but covered a larger number of car models and allowed the automakers to increase prices by five percent to seven percent. Pro.Cre.Auto II expired on January 10, 2015.

In October 2014, Argentina launched the "Ahora 12" program, which allows individuals to finance the purchase of certain domestically-manufactured goods, ranging from clothing to home appliances, in 12 monthly installments without interest. The program is effective through March 1, 2015, but Argentina announced in February 2015 that it would extend the program past the expiration date. The list of qualifying goods for the Ahora 12 program can be found at <http://www.ahora12.gob.ar/>. Argentina claims the program has been very successful in increasing the consumption of locally-produced goods and has stated that more than four million transactions have transpired since the program's inception.

GOVERNMENT PROCUREMENT

Argentine law establishes 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 five percent to seven 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 sub-national (state) level. These preferences serve as barriers to participation by foreign firms.

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 remained on the Priority Watch List in the 2014 Special 301 Report. Significant enforcement and other challenges continue to diminish market access for U.S. IP-intensive industries. The lack of meaningful and sustained enforcement, including under the criminal laws, coupled with judicial inefficiency and unwillingness to impose deterrent penalties, have continued unabated at South America's largest black market for counterfeit and pirated goods, La Salada, located in Buenos Aires, which has been named repeatedly in USTR's Notorious Markets List.

The situation for innovators in pharmaceutical and agricultural chemical sectors is also troublesome. The scope of patentable subject matter is extremely restricted under Argentine law; patent pendency continues to be excessive; and there remains no adequate protection against unfair commercial use and unauthorized disclosure of undisclosed test and other data submitted to the government in conjunction with its excessively lengthy marketing approval process.

SERVICES BARRIERS

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, and personal, cultural and recreational services. This requirement has reportedly resulted in significant delays in purchasing services from U.S. services providers and has hindered the ability of Argentine purchasers to promptly transfer payment to the United States. During 2014, DJAS authorization has been subject to tighter controls especially in the case of royalty payments.

Audiovisual Services

The Argentine government imposes restrictions on the showing, printing, and dubbing of foreign films in Argentina. Argentina also charges *ad valorem* customs duties on U.S. film 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.

The National Institute of Cinema and Audiovisual Arts taxes 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 the films will be screened within Argentina. Films that are screened in 15 or fewer movie theaters are exempted.

Insurance Services

The Argentine insurance regulator (SSN) prohibits cross-border reinsurance. As a result, Argentine insurers are able to purchase 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. SSN requires 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, non-Argentine insurance firms – whose liabilities are often denominated in U.S. dollars – have reported pressure by the Argentine government to sell their dollars for pesos. U.S. insurance firms also have reported that complying with the Argentine government’s requests would force them to take losses due to what they believe is an official exchange rate that overvalues the peso. The Argentine government has also blocked payments by subsidiaries of dividends and royalties to parent companies and shareholders abroad.

INVESTMENT BARRIERS

Pension System

In 2008, the Argentine Parliament approved a bill to nationalize Argentina’s private pension system and transfer pension assets to the government social security agency. 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 of both goods and services must be converted to pesos in the local official foreign exchange market. Time limits on fulfilling the requirement to convert foreign currency to pesos range from 60 days to 360 days for goods (depending on the goods involved) and 15 days for services. The time periods for fulfilling these requirements change frequently, which can significantly impede trade.

The Ministry of Economy maintains restrictive controls on certain classes of inbound investments, including foreign funds from private sector debt, 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, and investments in public sector securities purchased in the secondary market. These inflows may not be transferred out of the country for 365 days. Proceeds from foreign exchange transactions involving these investments must be paid into an account in the local financial system and are subject to a 30 percent unremunerated reserve requirement, requiring, in effect, that 30 percent of the value of such transactions be deposited in a local financial entity for 365 days in an account that is denominated in dollars and pays no interest.

In October 2011, Argentina increased controls on retail foreign exchange. Buyers are required to be approved by AFIP, which evaluates each request based on the individual or company's revenue stream. Local business representatives have reported receiving approvals for amounts much lower than requested and after much delay. This policy 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. The withholding tax on foreign purchases by Argentines (be it overseas or via the Internet) with debit and credit cards reduces U.S. services exports as purchases on credit cards remain the only direct access to foreign exchange for Argentines traveling abroad.

U.S. investors have reported that since 2012 the Argentine government has limited their ability to make payments in foreign currency outside of Argentina. This situation has been aggravated in 2014 due to a shortage of U.S. currency in the Central Bank's international reserves. This restriction is 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. Hard currency earnings on exports, both from goods and services, must be converted to pesos in the local official foreign exchange market.

Localization Measures

Argentina maintains certain localization measures aimed at encouraging domestic production. For example, the Argentine National Mining Agency (Agencia Nacional de Minería) requires mining companies registered in Argentina to use Argentine flagged vessels to transport minerals and their industrial derivatives for export from Argentina. Argentina requires that mining companies registered in Argentina purchase domestic capital goods, spare parts, inputs and services. Argentina also requires that radio and TV (via airwaves and cable) advertisements have a minimum of 60 percent local content.

ELECTRONIC COMMERCE

In January 2014, Argentina modified its retail mail order import licensing system through AFIP General Resolution 3579. Online purchases of foreign products valued up to \$3,000 and delivered through Argentina's official postal service are assessed a charge of 50 percent of the value of the goods. Goods in excess of \$3,000 may not be sent via the Argentine postal service. In addition, individuals may import by

mail up to \$25 in duty free goods per year in up to two mail order transactions. Transactions above \$25 are subject to the import tax of 50 percent. The resolution also requires goods delivered by official mail to be retrieved in person at the post office or customs authority.

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