



The Republic of Argentina

\$250,000,000

12% Global Bonds due 2031

Interest payable on January 31 and July 31

Issue price: 96.51% plus accrued interest from January 31, 2001

The bonds will bear interest at the rate of 12% per year. Interest on the bonds is payable on January 31 and July 31 of each year, commencing on July 31, 2001. The bonds will mature on January 31, 2031. The bonds are not redeemable prior to maturity and are not entitled to the benefit of any sinking fund. The bonds are direct, unconditional, unsecured and unsubordinated obligations of The Republic of Argentina. The bonds will be fungible with, and will be consolidated and form a single series with, the \$500,000,000 aggregate principal amount of 12% bonds due January 31, 2031 Argentina issued on January 31, 2001.

Application has been made to list the bonds on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange. In addition, you may trade the bonds on the *Mercado Abierto Electrónico*, the Argentine over-the-counter market.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Discounts and Commissions	Proceeds to Argentina
Per Bond (exclusive of accrued interest)	96.51%	.20%	96.31%
Total (exclusive of accrued interest)	\$241,275,000	\$500,000	\$240,775,000

It is expected that delivery of the bonds will be made to investors on or about February 28, 2001.

Capitalized terms used but not defined in this listing memorandum shall have the meanings specified in the Prospectus Supplement dated January 30, 2001. After having made all reasonable queries, Argentina confirms that:

- it accepts responsibility for the information provided in this listing supplement;
- except as described herein, there has been no material adverse change to the financial condition of Argentina which is material in the context of the issue of the bonds;
- Argentina is not involved in any litigation, arbitration or administrative proceedings which are material in the context of the issue of the bonds, and so far as Argentina is aware, no such litigation, arbitration or administrative proceedings involving it are pending or threatened; and
- the annual reports of Argentina will be made available free of charge at the offices of the Luxembourg listing agent.

Lead Manager

Banco de Galicia y Buenos Aires S.A.

Prospectus Supplement
(To Prospectus dated May 30, 2000)



The Republic of Argentina

\$500,000,000

12% Global Bonds due 2031

Interest payable on January 31 and July 31

Issue price: 99.277%

The bonds will bear interest at the rate of 12% per year. Interest on the bonds is payable on January 31 and July 31 of each year, commencing on July 31, 2031. The bonds will mature on January 31, 2031. The bonds are not redeemable prior to maturity and are not entitled to the benefit of any sinking fund. The bonds are direct, unconditional, unsecured and unsubordinated obligations of The Republic of Argentina.

Application has been made to list the bonds on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange. In addition, you may trade the bonds on the *Mercado Abierto Electrónico*, the Argentine over-the-counter market.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Discounts and Commissions	Proceeds to Argentina
Per Bond	99.277%	.750%	98.527%
Total	\$496,385,000	\$3,750,000	\$492,635,000

It is expected that delivery of the bonds will be made to investors on or about January 31, 2001.

Lead Manager and Sole Bookrunner

JP Morgan

*Local Market Makers in the Argentine Market**

1. Morgan Guaranty Trust Company
2. Deutsche Bank S.A.
3. BBVA Banco Francés S.A.
4. BankBoston N.A.
5. Citibank N.A.
6. ING Bank N.V.
7. Banco de Galicia y Buenos Aires S.A.
8. HSBC Bank Argentina S.A.
9. Banco Rio de la Plata S.A.
10. Bank of America N.T. and S.A.
11. ABN AMRO Bank N.V.

* The numbers reflect the ranking of the Argentine market makers based upon their degree of participation in the primary and secondary markets in Argentine government domestic debt during the period from April 1, 2000 through September 30, 2000 as established by the Ministry of Economy of the Republic of Argentina.

January 30, 2001

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement and the prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement or the prospectus, nor any sale made hereunder and thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Republic of Argentina since the date hereof or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date of such information.

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We are a foreign sovereign state. Consequently, it may be difficult for you to obtain or realize upon judgments of courts in the United States against us. See “Description of Securities — Jurisdiction, Consent to Service, Enforceability and Immunities from Attachment” in the accompanying prospectus.

You should read this prospectus supplement together with the accompanying prospectus dated May 30, 2000, as filed with the SEC, and our annual report on Form 18-K for 2000 (filed with the SEC on September 29, 2000 and incorporated by reference in the accompanying prospectus), which contain information regarding us and other matters, including a description of certain terms of our securities. You may find further information regarding us and the bonds in the registration statement on Schedule B relating to the bonds and other of our securities described in the accompanying prospectus on file with the SEC in the United States.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with any information that is different. The information in this prospectus supplement and the accompanying prospectus may only be accurate only as of the date of the prospectus supplement or the accompanying prospectus, as applicable.

References in this prospectus supplement to “U.S.\$”, “\$”, “U.S. dollars” and “dollars” are to lawful money of the United States of America.

We are furnishing this prospectus supplement and the accompanying prospectus to you solely for use in the context of the issuance of the bonds and the listing of the bonds on the Luxembourg Stock Exchange. After having made all reasonable inquiries, we confirm that:

- the information contained in this prospectus supplement and the accompanying prospectus is true and accurate in all material respects and is not misleading as of the date of this prospectus supplement or the accompanying prospectus supplement, as applicable;
- we hold the opinions and intentions expressed in this prospectus supplement and the accompanying prospectus;
- to the best of our knowledge and belief, we have not omitted other facts the omission of which makes this prospectus supplement or the accompanying prospectus as a whole misleading as of the date of this prospectus supplement or the accompanying prospectus supplement, as applicable; and
- we accept responsibility for the information we have provided in this prospectus supplement and the accompanying prospectus.

OFFERING SUMMARY

This summary may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus before making an investment decision.

Issuer	The Republic of Argentina.
Securities Offered	U.S.\$500,000,000 principal amount of 12% bonds due January 31, 2031.
Issue Price	99.277%
Interest Payment Dates	We will pay interest on the bonds on January 31 and July 31 of each year, commencing on July 31, 2001.
Redemption	We will not redeem the bonds prior to maturity. At maturity, we will redeem the bonds at par.
Markets	We will offer the bonds for sale in those jurisdictions in the United States, Europe and Asia where it is legal to make such offers. See "Underwriting".
Listing	Application has been made to list the bonds on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange. In addition, you may trade the bonds on the <i>Mercado Abierto Electrónico</i> , the Argentine over-the-counter market.
Form and Settlement	<p>We will issue the bonds in the form of one or more fully registered global bonds registered in the name of a nominee of The Depository Trust Company ("DTC") and deposit the global bonds with a custodian for DTC. You may hold a beneficial interest in the global bonds through DTC, Clearstream Banking SA (formerly Cedelbank), Euroclear or Caja de Valores, directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems.</p> <p>As an owner of a beneficial interest in the global bonds, you will generally not be entitled to have bonds registered in your name, will not be entitled to receive certificates evidencing the bonds and will not be considered the holder of any bonds under the fiscal agency agreement.</p> <p>We will issue the bonds only in denominations of \$1,000 and integral multiples of \$1,000. You will have to make initial settlement for the bonds in immediately available funds.</p>
Taxation	We will make payments of principal and interest in respect of the bonds without withholding or deduction for or on account of any present or future Argentine taxes, duties, assessments or governmental charges of whatever nature except as set forth in "Description of Securities — Description of Debt Securities — Additional Amounts" in the accompanying prospectus.
Further Issues	We may, from time to time, create and issue further bonds ranking equally with the bonds in all respects and such further bonds shall be

consolidated and form a single series with the bonds. See “Description of the Bonds — Further Issues.” We may also place additional bonds directly with Banco Central, the Argentine central bank.

CUSIP	P8055KGV1
ISIN	USP8055KGV19
Common Code	012370750.S-6

USE OF PROCEEDS

We will use the net proceeds from the sale of the bonds for the general purposes of the Republic of Argentina, including repayment of debt.

RECENT DEVELOPMENTS

Recent Political Developments and Recent Agreements

In October 2000, the Argentine government experienced a series of changes. On October 5, 2000, President Fernando de la Rúa replaced several ministers and combined the Ministry of Economy and the Ministry of Infrastructure under the leadership of Minister of Economy José Luis Machinea. The following day, Vice President Carlos Alvarez resigned due to disagreement with these changes. Argentine law does not require that there be a Vice President, and President de la Rúa has not scheduled vice-presidential elections.

These changes led to decreased investor confidence in the ability of President de la Rúa and the Alianza coalition to govern effectively, in Argentina's ability to make payments due on its sovereign debt and in the Argentine economy, which experienced minimal growth during 2000. This loss of confidence coincided with a general decrease in investor confidence in the sovereign debt of emerging market countries like Argentina and a decline in the U.S. equity markets. As a result, Argentine interest rates rose significantly and Argentina became temporarily unable to effectively raise money in international capital markets.

In order to help restore investor confidence in the Argentine economy, on December 18, 2000, Argentina announced a \$39.7 billion assistance package involving a broad-based group of lenders. The largest amount of this package will be provided by the International Monetary Fund, which on January 12, 2001 approved a letter of intent Argentina submitted to the IMF in December 2000. Pursuant to this letter of intent, the IMF has increased Argentina's standby credit facility with the IMF from \$7.4 billion to \$13.7 billion, \$2.7 billion of which is available under a supplemental reserve facility. Under the letter of intent, the Republic has agreed to:

- meet certain fiscal deficit targets for 2001;
- eliminate its fiscal deficit by 2005;
- freeze federal and provincial spending for five years; and
- limit federal transfers to the provinces.

The IMF disbursed \$2.1 billion to Argentina under the previous standby facility in December 2000 and an additional \$1.0 billion under the increased standby facility and \$1.9 billion under the supplemental reserve facility in January 2001. Anticipated disbursements in 2001 under the increased standby facility and the supplemental reserve facility total \$6.7 billion (including the \$2.9 billion disbursed in January), subject to Argentina's compliance with the quarterly fiscal deficit targets agreed with the IMF.

The assistance package also includes:

- commitments for \$2.5 billion in loans from each of the World Bank and the Inter-American Development Bank during the 2001-2003 period,
- a loan arrangement of up to \$1.0 billion from the government of Spain, which is expected to be finalized in February, and
- commitments in principle from institutional investors in Argentina, which consist primarily of Argentine pension funds, to purchase an aggregate of \$3.0 billion in Argentine government securities in 2001.

In addition, Argentine local market makers have agreed to purchase \$10.0 billion of public debt instruments in 2001 through auctions of promissory notes, treasury bills and treasury bonds in the domestic market. The remaining \$7.0 billion under the \$39.7 million package is expected to come from Argentina's exchange of its existing debt securities for instruments with longer maturities through a series of exchange offers. Of the total assistance package, \$2.1 billion was made available in December 2000, and Argentina expects that an additional \$23.3 billion will be made available by December 2001. Argentina expects that its total financing needs for 2001 will be approximately \$26.6 billion.

On December 29, 2000, President de la Rúa signed a series of decrees effecting the economic and policy changes contemplated in Argentina's letter of intent to the IMF. These decrees include:

- A decree enacting a number of reforms to the Argentine pension system. Pursuant to this decree, the state-run system will be gradually eliminated, a "universal fund" will provide pension payments to workers in the informal economy and the retirement age for women was raised from 60 to 65. (Women who retire before age 65 will receive a reduced pension payment.) These reforms are a condition of the IMF letter of intent.
- A decree allowing Argentine citizens to choose between the union-run health insurance system and a private system in order to increase competition in this sector of the Argentine economy. On January 3, 2001, the labor unions obtained a federal court order blocking implementation of this decree. The federal government has appealed this order. This reform is a condition of the IMF letter of intent.
- A decree approving a five-year \$20.5 billion public works plan designed to improve roads, airports, railroad facilities and city infrastructure. This plan is not a condition of the IMF letter of intent.

Also on December 29, 2000, President de la Rúa vetoed a Congressional change to the Republic's 2001 budget that eliminated the 12% cut in federal salaries proposed in the budget submitted to the Congress. These decrees are subject to ratification by Congress when it reconvenes in March.

Recent Legislation

On November 20, 2000, the governors all of Argentina's provinces except for one and the Chief of Government of the City of Buenos Aires signed an agreement with the federal government to limit primary and public spending for the next five years. The agreement contains a clause allowing the federal government to approve spending increases under extreme circumstances in which essential services are threatened. Pursuant to this agreement, the federal government will also provide an additional \$225 million for social programs in the provinces in 2001. The Congress ratified this agreement on December 7, 2000.

On November 27, 2000, the fiscal solvency law was amended to require the federal government and the provincial governments to eliminate their fiscal deficits by 2005. Previously, the deadline had been 2003.

On December 12, 2000, the Congress approved Argentina's 2001 budget. The budget assumes real GDP growth of 2.5%, a 0.5% increase in prices of goods and services and a fiscal deficit (on a cash basis and including the surplus of the Banco Central and excluding privatizations) of \$6.5 billion. This assumed deficit equals 2.5% of assumed nominal GDP and conforms to the fiscal solvency law as modified on November 27, 2000.

Gross Domestic Product and Economy

During the first half of 2000, Argentine gross domestic product grew 0.8%, less than the government had projected at the beginning of the year. The shortfall in gross domestic product growth was due to, among other factors, continuing effects of Brazil's 1999 devaluation of the real, continuing low prices for Argentina's agricultural exports, reduced investment and the depreciation of the euro, which had a negative impact on Argentina's competitiveness. These factors were somewhat offset by a 12.4% increase in exports during the first eleven months of 2000. During 2000, industrial production was unchanged as compared to 1999.

Inflation

Between December 31, 1999 and December 31, 2000, the consumer price index decreased 0.7% and the wholesale price index increased 2.5%, primarily due to increases in oil prices. Between November 30, 2000 and December 31, 2000, the consumer price index decreased 0.1% and the wholesale price index decreased 1.7%.

Employment and Labor

In October 2000, the national unemployment rate fell to 14.7% from 16.0% in May 2000 due to a decrease in the participation rate. Despite the recent decrease, unemployment remains a serious problem for the Argentine economy.

Trade Balance

During the first eleven months of 2000, exports increased by 12.4% to \$23.9 billion (measured on an f.o.b. basis) as compared to the same period of 1999, due to increased demand in Brazil spurred by the recovery in the Brazilian economy. The increase in exports was particularly strong in the oil and gas and industrial production sectors. Total imports during the first eleven months of 2000 decreased by 0.4% to \$23.1 billion (measured on a c.i.f. basis) as compared to the same period of 1999. During the first eleven months of 2000, exports to Mercosur countries increased by 19.2% to \$7.6 billion (measured on an f.o.b. basis) as compared to the first eleven months of 1999, again due to increased demand as a result of improving economic conditions in Brazil. During the first eleven months of 2000, imports from Mercosur countries increased by 15.0% to \$6.5 billion (measured on a c.i.f. basis) as compared to the same period of 1999 due to increased imports of intermediate, capital and consumer goods.

Balance of Payments

During the first nine months of 2000, Argentina had a current account deficit of \$7.0 billion, 21.2% lower than the current account deficit during the same period of 1999. This decrease was primarily attributable to a decrease in Argentina's trade deficit. During the same period, Argentina had a capital account surplus (including errors and omissions) of \$5.5 billion, 9.8% lower than the capital account surplus during the first nine months of 1999. The decrease in the capital account surplus is mainly the result of decreased foreign direct investment.

Financial Sector

Despite the recent regional recessionary conditions, total deposits in Argentina's banking system increased by 4.8% between December 31, 1999 and December 31, 2000. As of December 31, 2000, total deposits (38.2% of which were in pesos and 61.8% of which were in U.S. dollars) in the banking system equaled \$83.7 billion. As of January 15, 2001, total deposits (37.3% of which were in pesos and 62.7% of which were in U.S. dollars) in the banking system equaled \$84.1 billion.

On December 31, 2000, prime rates in Argentina were 14.8% for 30-day loans in pesos and 13.2% for 30-day loans in dollars. On January 17, 2001, prime rates in Argentina were 11.1% for 30-day loans in pesos and 9.9% for 30-day loans in dollars.

Monetary Base and Reserves

The stagnation of the Argentine economy in 2000 had a negative impact on Argentina's monetary base and international reserves. As of December 31, 2000, the monetary base (consisting of currency in circulation and money held at Banco Central to meet liquidity requirements) was \$24.6 billion, a 4.4% decrease from the level recorded on December 31, 1999. However, between November 30, 2000 and December 31, 2000, the monetary base increased by 7.6%. On December 31, 2000, gross international reserves at Banco Central (including approximately \$1.3 billion of public bonds) stood at \$26.5 billion, a 3.0% decrease from the December 31, 1999 level, but had increased by 7.8% as compared to November 30, 2000. As of January 17, 2001, the monetary base increased to \$25.4 billion and gross intentional reserves at the Central Bank increased to \$27.4 billion. These recent

increases resulted from improved expectation with respect to the Argentine economy associated with the IMF package.

Public Sector Accounts

In 2000, Argentina recorded a fiscal deficit of \$6.6 billion (calculated by subtracting Banco Central's surplus of \$347 million from the deficit of \$6.9 billion of the non-financial public sector). The government's efforts to reduce the fiscal deficit in 2000 were hampered by the weakness of domestic demand and the continued decline in consumer prices. Despite the introduction of a sizable package of tax increases in January 2000, overall revenues, including social security contributions, rose by only 3% through November 2000. As a result, despite the government's efforts to contain primary spending, in September 2000, Argentina and the IMF agreed to revise Argentina's fiscal deficit target for 2000 from \$4.7 billion to \$5.3 billion. Argentina's December 15, 2000 letter of intent to the IMF provides for a further increase in the fiscal deficit target for 2000, to \$6.7 billion.

Public Sector Debt

As of September 30, 2000, total gross public debt was \$123.6 billion. Approximately \$117.6 billion, or 95.1%, of this amount was denominated in currencies other than the peso, principally U.S. dollars. As of September 30, 2000, total net public debt (total gross public debt minus total government financial assets related to debt operations, such as United States Treasury bills held as collateral for Brady bonds) was \$114.6 billion. Between December 31, 1999 and September 30, 2000, total gross public debt increased by 1.5% and total net public debt increased by 3.3%. These increases are primarily attributable to the bonds and notes the Republic issued to finance its fiscal deficit.

Financing Strategy

During 2000, Argentina issued \$21.3 billion of debt (including \$5.4 billion of debt issued in exchange offers), including:

- \$6.3 billion of U.S. dollar-denominated global bonds (including \$2.4 billion of debt issued in an exchange offer);
- \$4.9 billion of euro-denominated bonds;
- \$1.1 billion of yen-denominated bonds; and
- \$9.0 billion of debt issued in the domestic market in the form of *Bonos del Tesoro* (including \$3.0 billion *Bonos del Tesoro* issued in an exchange offer), *Pagare-Bonos* and a net increase in the stock of *Letras de Tesorería*.

Between January 1 and January 17, 2001, Argentina issued \$700.0 million of *Letras de Tesorería* and received commitments for \$500.0 million of U.S. dollar-denominated global bonds.

On November 14, 2000, Standard & Poor's downgraded Argentina's foreign debt rating from "BB" to "BB-". On November 21, 2000, Moody's Investor Services, Inc. revised Argentina's outlook from stable to negative, citing the country's high financing needs. These ratings and outlooks are not a recommendation to buy, sell or hold securities and are subject to further change at any time.

DESCRIPTION OF THE BONDS

We will issue the bonds under a fiscal agency agreement, dated as of October 19, 1994, as amended, between us and Bankers Trust Company, as registrar, fiscal agent, transfer agent and principal paying agent.

The following description is a summary of the material provisions of the bonds and the fiscal agency agreement. Given that it is only a summary, the description may not contain all of the information that is important to you as a potential investor in the bonds. Therefore, we urge you to read the fiscal agency agreement and the form of global

bond in making your decision on whether to invest in the bonds. We have filed a copy of these documents with the SEC and will also file copies of these documents at the office of the listing agents in Luxembourg and Buenos Aires.

General Terms of the Bonds

The bonds will:

- be issued in an aggregate principal amount of U.S.\$500,000,000.
- mature at par on January 31, 2031.
- bear interest at 12%, beginning on January 31, 2001.
- pay interest semi-annually in arrears on January 31 and July 31 of each year, commencing on July 31, 2001.
- be direct, unconditional, unsecured and unsubordinated obligations of the Republic, backed by the full faith and credit of the Republic.
- be issued in minimum denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000.
- be represented only by fully registered global bonds registered in the name of a nominee of DTC, except in certain limited cases described below.
- be held and transferred through the facilities of DTC, Clearstream Banking SA, Euroclear and Caja de Valores.

Application has been made to list the bonds on the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange. In addition, you may trade the bonds on the *Mercado Abierto Electrónico*, the Argentine over-the-counter market.

Form, Denominations and Registration

The statements set forth in this section and under “— Title” and “Clearing and Settlement” as well as under “Description of Securities — Global Securities” in the accompanying prospectus include summaries of certain rules and operating procedures of DTC, Euroclear, Clearstream Banking SA and Caja de Valores which affect transfers of interests in the global bonds, as provided in this prospectus supplement.

We will issue the bonds in denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000 in the form of one or more fully registered global bonds registered in the name of a nominee of DTC. Except in limited circumstances described below under “— Definitive Certificates”, owners of beneficial interests in the global bonds will not be entitled to have bonds registered in their names, will not receive or be entitled to receive physical certificates evidencing the bonds and will not be considered holders of the bonds under the fiscal agency agreement or the bonds. See “— Title” and “— Definitive Certificates”. Except as set forth below, the global bonds may be transferred, in whole and not in part, only to another nominee of DTC or a successor of DTC.

Beneficial interests in the global bonds will be represented, and transfers of such beneficial interests will be effected, through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. You may elect to hold interests in the global bonds through any of DTC (in the United States), Clearstream Banking SA or Euroclear (in Europe) or Caja de Valores (in Argentina) if you are a participant in any of these systems, or indirectly through organizations which are participants in any of these systems. Clearstream Banking SA and Euroclear will hold interests on behalf of their participants through customers’ securities accounts in Clearstream Banking SA’s and Euroclear’s names on the books of their respective depositaries, which in turn will hold such interests in customers’ securities accounts in the depositaries’ names on the books of DTC. Caja de

Valores will hold interests on behalf of its participants through its accounts at Clearstream Banking SA and Euroclear.

The fiscal agent will not impose any fees in respect of the bonds, other than reasonable fees for the replacement of lost, stolen, mutilated or destroyed bonds. However, owners of beneficial interests in the global bonds may incur fees payable in respect of the maintenance and operation of the book-entry accounts in which their interests are held with the clearing systems.

Title

Subject to applicable law and the terms of the fiscal agency agreement and the bonds, we and the fiscal agent shall deem and treat the registered holder of the bonds, initially Cede & Co., as the nominee of DTC, as the absolute owner of the global bonds for all purposes notwithstanding any notice to the contrary. All payments to or on the order of the registered holders shall discharge both our and the fiscal agent's liability on the bonds to the extent of the sum or sums paid. Accordingly, any person owning a beneficial interest in a global bond must rely on the procedures of DTC and, to the extent relevant, Euroclear, Clearstream Banking SA or Caja de Valores in order to exercise any rights of a holder of the bonds. If you are not a participant in one of those systems, you must rely on the procedures of the participant through which you hold your interest in order to exercise any rights of a holder of bonds. We understand that, under existing industry practice, in the event that an owner of a beneficial interest in the global bonds desires to take any action that Cede & Co., as the holder of such global bond, is entitled to take, Cede & Co. would authorize the participants to take that action, and the participants would authorize beneficial owners owning through them to take that action or would otherwise act upon the instructions of beneficial owners owning through them.

DTC may grant proxies or otherwise authorize its participants, or persons holding beneficial interests in the global bonds through those participants, to exercise any rights of a holder or take any other actions which a holder is entitled to take under the fiscal agency agreement or the bonds. Euroclear, Clearstream Banking SA and Caja de Valores, as the case may be, will take any action permitted to be taken by a holder under the fiscal agency agreement of the bonds on behalf of their respective participants only in accordance with their respective rules and procedures and subject to their respective U.S. depository's ability to effect those actions on its behalf through DTC.

Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, your ability as an owner of a beneficial interest in the global bonds to pledge your interest to persons or entities that do not participate in the DTC system or otherwise take actions in respect of your interest may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, your ability to transfer beneficial interests in the global bonds to those persons may be limited.

Further Issues

We may create and issue additional bonds with the same terms and conditions as the bonds (or the same terms and conditions except for the payment of interest accruing prior to the issue date of the additional bonds or except for the first payment of interest following the issue date of the additional bonds). We may consolidate the additional bonds to form a single series with the bonds. We may also place additional bonds directly with Banco Central. We can take any of these actions without giving you advance notice or seeking your consent.

Payment

We will make payments of principal and interest on the bonds in U.S. dollars through the fiscal agent to DTC, for credit to the bondholders. We expect that bondholders will be paid in accordance with the procedures of DTC and its direct and indirect participants. The fiscal agent will act as our principal paying agent for the bonds. Neither we nor the fiscal agent will have any responsibility or liability for any of the records of, or payments made by, DTC or any failure on the part of DTC in making payments to bondholders from the funds it receives.

Upon receipt of any interest or principal payment on the global bonds, DTC will credit its participants' accounts in amounts proportionate to their beneficial interests in the principal amount of any global bond. The participants will be responsible for paying those amounts to the owners of the beneficial interests in that global bond. Clearstream Banking SA and Euroclear will credit interest and principal payments on the bonds to the cash accounts of Clearstream Banking SA and Euroclear participants in accordance with their respective rules and procedures, to the extent their U.S. Depositories receive those payments through DTC. Caja de Valores will credit its participants' accounts with interest and principal payments on the bonds to the extent it receives such payments in its Clearstream Banking SA account.

If any date for an interest or principal payment is a day on which banking institutions in New York City are authorized or obligated by law or executive order to be closed, we will make the payment on the next New York City banking day. No interest on the bonds will accrue as a result of this delay in payment.

Definitive Certificates

As a beneficial owner of bonds you will not be entitled to receive bonds in definitive form except in the limited circumstances described below. By bonds in definitive form, we mean physical certificates evidencing the bonds.

We will issue bonds in definitive form upon registration of, transfer of, or in exchange for, the global bonds if:

- DTC notifies us that it is unwilling or unable to continue as depository for the global bonds;
- DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934 at a time when it is required to be and a successor depository is not appointed by us within 90 days after receiving notice or becoming aware that DTC is no longer so registered; or
- an event of default with respect to the bonds shall have occurred and be continuing as described in the accompanying prospectus under "Description of Securities — Default and Acceleration of Maturity".

If we issue bonds in definitive form, and for so long as the rules of the Luxembourg Stock Exchange require it, we will appoint a paying agent in Luxembourg and a transfer agent in Luxembourg. We expect to appoint Deutsche Bank Luxembourg S.A. as the Luxembourg paying agent and the Luxembourg transfer agent. In that event, the bondholders may transfer their bonds at the corporate trust office of the fiscal agent in New York City or at the office of the Luxembourg transfer agent, subject to the limitations set forth in the fiscal agency agreement. We will make any payments of principal when the bondholders present or surrender the certificates representing those bonds at the office of the paying agent or the Luxembourg paying agent. With respect to any transfer or exchange of all or a portion of a bond in definitive form, the transferor will receive a new bond in definitive form representing the principal amount it retained after the transfer and the transferee will receive a new bond in definitive form representing the principal amount it received after the transfer. These new bonds will be given at the office of the fiscal agent, the Luxembourg paying agent or the Luxembourg transfer agent. Pending appointment by us of the Luxembourg paying agent and Luxembourg transfer agent, Kredietbank S.A. Luxembourgeoise, the Luxembourg listing agent for the bonds, will act as intermediary in Luxembourg between bondholders and us.

Notices

We will publish all notices to bondholders in English, in London in the Financial Times, in New York City in The Wall Street Journal, and, so long as the bonds are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require, in Luxembourg in a newspaper of general circulation (expected to be the Luxemburger Wort). If we are not able to publish a notice in any of these newspapers, we will publish the notice in another English language newspaper with general circulation in the same market and in another daily newspaper of general circulation in Luxembourg. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made.

CLEARING AND SETTLEMENT

DTC, Clearstream Banking SA, Euroclear and Caja de Valores have established links with each other to facilitate the initial issuance of the bonds and cross-market transfers of the bonds associated with secondary market trading.

Although DTC, Euroclear, Clearstream Banking SA and Caja de Valores have agreed to the procedures provided below in order to facilitate transfers of bonds among their participants, they are under no obligation to perform or continue to perform those procedures and they may modify or discontinue them at any time. Neither we nor the fiscal agent will have any responsibility for the performance by DTC, Euroclear, Clearstream Banking SA, Caja de Valores or their respective participants or indirect participants of their respective obligations under their rules and procedures.

DTC, Euroclear, Clearstream Banking SA and Caja de Valores have advised us as follows:

The Clearing Systems

The Depository Trust Company. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a “banking organization” under the New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” under the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry changes in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC participants include some of the underwriters, the U.S. Depositories, the fiscal agent, securities brokers and dealers, banks, trust companies and other organizations. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in bonds in DTC may be made only through DTC participants. In addition, beneficial owners of bonds in DTC will receive all distributions of principal of and interest on the bonds from the fiscal agent through such DTC participant.

Clearstream Banking SA. Clearstream Banking SA is incorporated under the laws of Luxembourg as a professional depository. Clearstream Banking SA holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in their accounts, thereby eliminating the need for physical movement of certificates. Clearstream Banking SA provides various services to its participants including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Banking SA interfaces with domestic markets in several countries. As a professional depository, Clearstream Banking SA is subject to regulation by the Luxembourg Monetary Institute. Clearstream Banking SA participants are financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream Banking SA is also available to others that clear through or maintain a custodial relationship with a Clearstream Banking SA participant either directly or indirectly.

The U.S. Depository for Clearstream Banking SA will credit distributions with respect to bonds held beneficially through Clearstream Banking SA to cash accounts of Clearstream Banking SA participants in accordance with the rules and procedures of Clearstream Banking SA.

Euroclear. Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating

the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator") under contract with Euro-Clear Clearance Systems, S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

The U.S. Depository for Euroclear will credit distributions with respect to bonds held beneficially through Euroclear to the cash accounts of Euroclear participants in accordance with the Terms and Conditions.

Caja de Valores. Caja de Valores, an Argentine corporation, is currently the only authorized securities clearing house in Argentina. Caja de Valores is owned by The Buenos Aires Stock Exchange and provincial exchanges and it is regulated by the Comisión Nacional de Valores (the National Securities Commission of Argentina, or the "CNV"). Caja de Valores acts as a clearing house for securities trading, provides central depository facilities for securities and acts as transfer and paying agent. It also handles settlement of securities transactions carried out on the Buenos Aires Stock Exchange. All securities in Caja de Valores are held on a fungible basis without attribution of specific securities to specific accounts. Caja de Valores opens accounts only in the name of its participants, primarily financial institutions and stock brokers, which may, in turn, request Caja de Valores to open sub-accounts in the name of their customers. In general, Caja de Valores only acts on behalf of its participants and has no direct relationship with its participants' customers.

The CNV allows Caja de Valores to carry out clearing transactions with securities admitted to be settled through Clearstream Banking SA even though those securities are not physically deposited in Caja de Valores, provided that those securities must have been previously approved by the CNV to be publicly offered in Argentina or otherwise have been exempted from that approval (as in the case of the bonds).

Initial Settlement

If you are an investor on the settlement date, you will pay for the bonds in immediately available funds.

If you elect to hold your bonds through DTC (other than through accounts at Euroclear or Clearstream Banking SA), you will follow the settlement practices applicable to U.S. corporate debt obligations. DTC will credit your securities custody account with your holding against payment in same-day funds on the settlement date.

If you elect to hold your bonds through Euroclear or Clearstream Banking SA accounts, you will follow the settlement procedures applicable to conventional eurobonds in registered form. Euroclear or Clearstream Banking SA, as the case may be, will credit bonds to your securities custody account on the business day following the settlement date against payment for value on the settlement date.

If you elect to hold your bonds through Caja de Valores, you will follow the settlement practices applicable to securities transactions in U.S. dollars. Bonds will be delivered to the account of the Caja de Valores participant

through which you hold your bonds on the business day following the settlement date free of payment. Separate payment arrangements will be made in accordance with customary securities delivery procedures in Argentina.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any bonds where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC participants. DTC participants will transfer interests in the bonds among themselves in the ordinary way according to DTC rules and will settle their transfers using the procedures applicable to U.S. corporate debt obligations in same-day funds using DTC's Same-Day Funds Settlement System.

Trading between Euroclear and/or Clearstream Banking SA participants. Euroclear and Clearstream Banking SA participants will transfer interests in the bonds among themselves in the ordinary way according to the applicable rules and operating procedures of Clearstream Banking SA and Euroclear and will settle their transfers using the procedures applicable to conventional eurobonds in same-day funds.

Trading between Caja de Valores participants. Caja de Valores participants will transfer interests in the bonds among themselves according to the applicable rules and operating procedures of Caja de Valores.

Trading between DTC seller and Euroclear or Clearstream Banking SA purchaser. When bonds are to be transferred from the account of a DTC participant (other than U.S. Depositories) to the account of a Euroclear or Clearstream Banking SA participant, the purchaser must send instructions to Euroclear or Clearstream Banking SA through a participant at least one business day prior to settlement. Euroclear or Clearstream Banking SA will instruct the relevant U.S. Depository to receive the bonds and make payment for them. This U.S. Depository will make payment to the DTC participant's account against delivery of the bonds. After settlement has been completed, DTC will credit the bonds to Euroclear or Clearstream Banking SA, and Euroclear or Clearstream Banking SA will credit the bonds, in accordance with its usual procedures, to the participant's account and the participant will then credit the purchaser's account. Credit for the bonds will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the bonds will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream Banking SA cash debit will be valued instead as of the actual settlement date.

Participants in Euroclear and Clearstream Banking SA will need to make funds available to Euroclear or Clearstream Banking SA in order to process same-day funds settlement. The most direct means of doing this is to pre-position funds (i.e., have funds in place at Euroclear or Clearstream Banking SA before the value date), either from cash on hand or existing lines of credit as the participants would do for any pre-settlement occurring within Euroclear or Clearstream Banking SA. Under this approach, however, participants may take on credit exposure to Euroclear or Clearstream Banking SA until the bonds are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream Banking SA has extended a line of credit to them, participants can elect not to pre-position funds, but to allow Euroclear or Clearstream Banking SA to draw on the line of credit to finance settlement. Under this procedure, Euroclear or Clearstream Banking SA would charge the participants overdraft charges for one day, assuming that the overdraft would be cleared when the bonds were credited to their accounts. However, interest on the bonds would accrue from the value date. Therefore, in many cases, the investment income on bonds which the participant earned during that one-day period may substantially reduce or offset the amount of the participants' overdraft charges, although this result will depend on the cost of funds (i.e., the interest rate that Euroclear or Clearstream Banking SA charges) to each participant.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for sending bonds to the relevant U.S. Depository for the benefit of Euroclear or Clearstream Banking SA participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC participant, a cross market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream Banking SA and that purchase bonds from DTC participants for credit to Euroclear participants or Clearstream Banking SA participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Euroclear or Clearstream Banking SA for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream Banking SA account) in accordance with the clearing system's customary procedures;
- borrowing the bonds in the United States from a DTC participant no later than one day prior to settlement, which would give the bonds sufficient time to be reflected in the borrower's Euroclear or Clearstream Banking SA account in order to settle the sale side of the trade; or
- staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream Banking SA participant.

Trading between Euroclear or Clearstream Banking SA seller and DTC purchaser. Due to time zone difference in their favor, Euroclear and Clearstream Banking SA participants may use their usual procedures to transfer bonds through their U.S. Depository to another DTC participant. The seller must send instructions to Euroclear or Clearstream Banking SA through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream Banking SA will instruct its U.S. Depository to credit the bonds to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear or Clearstream Banking SA participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream Banking SA participant's account will be back-valued to the value date (which would be the preceding day if settlement occurs in New York). If the Euroclear or Clearstream Banking SA participant has a line of credit with its respective clearing system and elects to draw on that line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream Banking SA participant's account would instead be valued as of the actual settlement date.

Trading between DTC, Euroclear and Clearstream Banking SA participants and Caja de Valores participants. For investors holding bonds through participant accounts in DTC, Euroclear or Clearstream Banking SA, secondary market trading with Caja de Valores participants will occur in the ordinary way as with any other Clearstream Banking SA participant. Participants in Caja de Valores will need to make arrangements with Caja de Valores and Clearstream Banking SA, or Euroclear, as the case may be, regarding the repositioning of funds or bonds to complete settlement and ensure that trades will not fail.

UNITED STATES TAXATION

This summary replaces in its entirety the discussion under the caption "Taxation — United States Taxation" in the accompanying prospectus.

If you are a United States person as defined below, the interest you receive on the debt securities generally will be subject to United States federal taxation and will be considered ordinary interest income.

Under current United States federal income tax law, if you are not a United States person, payments of interest that you receive on the debt securities generally will be exempt from United States federal income taxes, including withholding taxes. However, to receive this exemption you may be required to satisfy certain certification requirements (described below) of the United States Internal Revenue Service to establish that you are not a United States person.

Even if you are not a United States person, you may still be subject to United States federal income taxes on any interest payments you receive if:

- you are an insurance company carrying on a United States insurance business, within the meaning of the United States Internal Revenue Code of 1986, or
- you have an office or other fixed place of business in the United States that receives the interest and you earn the interest in the course of operating (i) a banking, financing or similar business in the United States or (ii) a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

If you are not a United States person, any gain you realize on a sale or exchange of the debt securities generally will be exempt from United States federal income tax, including withholding tax, unless:

- your gain is effectively connected with your conduct of a trade or business in the United States or
- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale, and either (i) your gain is attributable to an office or other fixed place of business that you maintain in the United States or (ii) you have a tax home in the United States.

The fiscal agent must file information returns with the United States Internal Revenue Service in connection with debt security payments made to certain United States persons. If you are a United States person, you generally will not be subject to a 31% United States backup withholding tax on such payments if you provide your taxpayer identification number to the fiscal agent. You may also be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the debt securities. If you are not a United States person, in order to avoid information reporting and backup withholding tax requirements you may have to comply with certification procedures to establish that you are not a United States person.

A debt security held by an individual holder who at the time of death is a non-resident alien will not be subject to United States federal estate tax.

You are a United States person for U.S. federal income tax purposes if you are:

- a citizen or resident of the United States or its territories, possessions or other areas subject to its jurisdiction,
- a corporation, partnership or other entity organized under the laws of the United States or any political subdivision,
- an estate, the income of which is subject to United States federal income taxation regardless of its source or
- a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

LEGAL MATTERS

The Attorney General of the Treasury of Argentina and Cleary, Gottlieb, Steen & Hamilton, United States counsel to Argentina, will pass upon the validity of the bonds on our behalf. Sullivan & Cromwell, United States counsel to the underwriters, and Bruchou, Fernandez Madero, Lombardi & Mitrani, Argentine counsel to the underwriters, will pass upon the validity of the bonds on behalf of the underwriters. As to all matters of Argentine law, Cleary, Gottlieb, Steen & Hamilton will rely upon the opinion of the Attorney General of the Treasury of Argentina and Sullivan & Cromwell will rely upon the opinion of Bruchou, Fernandez Madero, Lombardi & Mitrani.

UNDERWRITING

Chase Securities Inc. and Argentina have entered into an underwriting agreement with respect to the bonds. Subject to the conditions contained in the underwriting agreement, Chase Securities Inc. has agreed to purchase, and Argentina has agreed to sell to Chase Securities Inc., all of the bonds offered hereby.

Bonds sold by the underwriter to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. If all the bonds are not sold at the initial offering price, the underwriter may change the offering price and the other selling terms. The local market makers named on the cover of this prospectus supplement will receive commissions representing 75% of the total underwriting discounts and commissions payable by Argentina.

The bonds are offered for sale in those jurisdictions in the United States, Europe, Asia and Latin America where it is legal to make such offers. The only offers and sales of bonds that are made pursuant to the Registration Statement, which includes the accompanying prospectus as supplemented by this prospectus supplement, are those which are made in the United States as part of the initial distribution of bonds or in connection with resales of bonds, under circumstances where this prospectus supplement and the accompanying prospectus must be delivered.

The underwriter has agreed that it will not offer, sell or deliver any of the bonds, directly or indirectly, or distribute the registration statement, this prospectus supplement or the accompanying prospectus, or any other material relating to the bonds, in or from any jurisdiction except under circumstances that will to its best knowledge and belief result in compliance with the applicable laws and regulations of that jurisdiction (including, without limitation, any prospectus delivery requirements) and which will not impose any obligations on us except as set forth in the underwriting agreement.

The underwriter has represented and agreed that it has complied and will comply with all applicable provisions of the Financial Services Act of 1986 with respect to anything done by it in relation to the bonds in, from or otherwise involving the United Kingdom.

The underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any of the bonds in or to residents of Japan or to any persons for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of the Securities and Exchange Law available thereunder and in compliance with other relevant laws of Japan.

The underwriter has represented and agreed that it has not distributed and will not distribute this prospectus supplement and the accompanying prospectus in Hong Kong other than to persons whose business involves the acquisition, disposal, or holding of securities, whether as principal or as agent, unless it is a person permitted to do so under the securities laws of Hong Kong.

In addition, the bonds may not be publicly offered or sold in Argentina except through persons or entities authorized to do so under Argentine Law No. 17,811 and applicable regulations of the Argentine National Securities Commission. All offers and sales of the bonds in Argentina will be made by an affiliate of the underwriter duly authorized to do so in Argentina by applicable law or regulation.

As a purchaser of the bonds, you may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price to the public set forth on the cover page of this prospectus supplement. Neither we nor the underwriter represent that the bonds may at any time be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder. Furthermore, neither we nor the underwriter assume any responsibility for facilitating those sales.

In connection with the offering, the underwriter may purchase and sell the bonds in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriter of a greater aggregate principal amount of bonds than it is required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the bonds while the offering is in progress.

These activities by the underwriter may stabilize, maintain or otherwise affect the market price of the bonds. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriter at any time. These transactions may be effected in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$100,000, approximately \$26,400 of which is allocable to registration fees.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933.

In the ordinary course of its business, the underwriter and its affiliates have engaged, and may in the future engage, in investment banking transactions with us.

The address of Chase Securities Inc. is 270 Park Avenue, New York, New York 10017.

GENERAL INFORMATION

Except as disclosed in this prospectus supplement, there has been no material change in the financial position of Argentina since September 29, 2000.

The issue of the bonds has been authorized by:

- Law No. 11,672 establishing the permanent supplementary budget provisions,
- Law No. 24,156 of the Financial Administration of the Public Sector,
- Law No. 25,401 approving the Argentine budget for 2001,
- Decree No. 1161, dated July 15, 1994, as modified by Decree No. 1179, dated December 12, 2000, of the National Executive Power of the Republic of Argentina,
- Decree No. 343, dated April 18, 2000, of the National Executive Power of the Republic of Argentina,
- Resolution No. 1090, dated December 28, 2000, of the Ministry of Economy of the Republic of Argentina,
- Resolution No. 39, dated January 26, 2001, of the Secretary of the Treasury of the Republic of Argentina, and
- Resolution No. 14, dated January 26, 2001, of the Secretary of Finance of the Republic of Argentina.

We will provide for inspection of copies of the Registration Statement, which includes the fiscal agency agreement and the underwriting agreement as exhibits to Registration Statement No. 33-83954, at the offices of the listing agent in Luxembourg during normal business hours on any weekday for so long as the bonds are listed on the Luxembourg Stock Exchange. In addition, so long as the bonds are outstanding or listed on the Luxembourg Stock Exchange, we will make available copies of Argentina's economic reports for each subsequent year in English (as and when available) at the offices of the listing agent in Luxembourg during normal business hours on any weekday. We will also make available, free of charge, copies of documents incorporated by reference into the accompanying prospectus at the office of the listing agent and any paying and transfer agent in Luxembourg.

In the event that bonds in definitive form were to be issued under the limited circumstances described herein, and for so long as the rules of the Luxembourg Stock Exchange shall so require, we have agreed to appoint a paying agent in Luxembourg and a transfer agent in Luxembourg. We expect to appoint Deutsche Bank Luxembourg S.A. as the paying agent and the transfer agent in Luxembourg. Pending appointment by us of the Luxembourg paying agent and Luxembourg transfer agent, Kredietbank S.A. Luxembourgise, the Luxembourg listing agent for the bonds, will act as intermediary in Luxembourg between holders of the bonds and us.

The bonds have been accepted for clearance through DTC, Euroclear, Clearstream Banking SA and Caja de Valores. (CUSIP: P8055KGV1; ISIN: USP8055KGV19; Common Code: 012370750).

PROSPECTUS

THE REPUBLIC OF ARGENTINA

\$5,397,110,800

DEBT SECURITIES AND WARRANTS TO PURCHASE OR EXCHANGE DEBT SECURITIES

We may from time to time offer up to \$5,397,110,800 of our debt securities or warrants to purchase or exchange debt securities. We will offer the securities in one or more series in amounts and at prices and on terms to be determined at the time of sale and to be set forth in supplements to this prospectus.

We may sell the securities directly, through agents designated from time to time or through underwriters or dealers. If any agents of Argentina or any underwriters are involved in the sale of securities, we will include the names of those agents or underwriters and any commissions or discounts they may receive in the applicable prospectus supplement.

This prospectus may not be used to make offers or sales of securities unless accompanied by a prospectus supplement. You should read this prospectus and the prospectus supplement carefully. You should not assume that the information in this prospectus or any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on the front of those documents.

Neither the Securities and Exchange Commission nor any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 30, 2000

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that the Republic of Argentina (“Argentina”) filed with the United States Securities and Exchange Commission (the “SEC”) under a “shelf” registration process. Under this shelf process, Argentina may sell, from time to time, any of the debt securities described in this prospectus in one or more offerings up to a total amount of \$5,397,110,800 or the equivalent thereof in another currency or currency unit. This prospectus provides you with basic information about Argentina and a general description of the debt securities and warrants Argentina may offer under this shelf process. Each time Argentina sells securities under this shelf process, it will provide a prospectus supplement that will contain updated information about Argentina, if necessary, and specific information about the terms of that offering.

Any information contained in this prospectus may be updated or changed in a prospectus supplement, in which case the more recent information will apply. You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. Argentina has not authorized anyone to provide you with information different from that contained in these documents.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which Argentina has filed or will file with the SEC, are considered part of and incorporated by reference in this prospectus and any accompanying prospectus supplement:

- Argentina's Annual Report on Form 18-K for the year ended December 31, 1998, filed with the SEC on September 16, 1999, as amended by an amendment filed on Form 18-K/A with the SEC on November 22, 1999;
- Any additional amendment on Form 18-K/A to the 1998 Annual Report filed after the date of this prospectus and prior to the termination of the offering of the securities; and
- Each subsequent Annual Report on Form 18-K and any amendment on Form 18-K/A filed after the date of this prospectus and prior to the termination of the offering of the securities.

Later information that Argentina files with the SEC will update and supersede earlier information that it has filed.

You may obtain, without charge and upon request, a copy of any of the above documents (including any exhibits that are incorporated by reference in them). Requests for such documents should be directed to:

Office of the Financial Representative
of the Republic of Argentina
1901 L Street N.W.
Suite 606
Washington, D.C. 20036
telephone: (202) 466-3021
facsimile: (202) 463-8793

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, Argentina will use the net proceeds from the sale of the securities for the general purposes of the government of Argentina.

DESCRIPTION OF SECURITIES

This prospectus provides you with a general description of the securities Argentina may offer. Each time Argentina sells securities, it will provide a

prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. If the information in this prospectus differs from any prospectus supplement, you should rely on the information in the prospectus supplement.

Description of Debt Securities

Argentina will issue the debt securities under a fiscal agency agreement (as amended, the "Fiscal Agency Agreement") between Argentina and Bankers Trust Company, as fiscal agent. Argentina has filed or will file the Fiscal Agency Agreement and the form of the debt securities (which form may differ from one series of debt securities to another) as exhibits to the registration statement of which this prospectus is a part.

The following description summarizes the material provisions of the debt securities and the Fiscal Agency Agreement. You should read the Fiscal Agency Agreement, the form of debt security and the applicable prospectus supplement before making your investment decision.

Argentina will include some or all of the following terms in the prospectus supplement relating to any series of debt securities:

- the title;
- any limit on the aggregate principal amount;
- the issue price;
- the maturity date or dates;
- the interest rate or rates (which may be fixed or variable), the date from which interest will accrue, the interest payment dates and the record dates for the interest payments;
- the place or places where the principal of and interest on such debt securities are payable;
- any mandatory or optional sinking fund provisions;
- any provisions that allow Argentina to redeem the debt securities at its option;
- any provisions that entitle you to

- repayment for the debt securities at your option;
- the currency in which the debt securities are denominated and the currency in which Argentina will make payments;
- the authorized denominations;
- any index Argentina will use to determine the amount of principal, any premium and interest payments;
- any covenants or agreements of Argentina and any events that give you the right to accelerate the maturity of your debt securities;
- any terms allowing you to exchange or convert your debt securities; and
- any other terms of the debt securities that do not conflict with the provisions of the Fiscal Agency Agreement.

Argentina may replace the fiscal agent at any time, subject to the appointment of a replacement fiscal agent. In addition, Argentina may appoint different fiscal agents for different series of debt securities. The fiscal agent is not a trustee for the holders of debt securities and does not have the same responsibilities or duties to act for such holders as would a trustee. Argentina may maintain deposit accounts and conduct other banking and financial transactions with the fiscal agent.

Argentina may issue debt securities at a discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Argentina may also issue debt securities that have variable rates of interest but are exchangeable for fixed rate debt securities. Argentina will describe the United States federal income tax consequences and other relevant considerations in the prospectus supplement for any such offering.

Unless otherwise specified in the applicable prospectus supplement, you must make initial settlement for the debt securities in same-day funds, and Argentina will calculate interest on the basis of a 360-day year consisting of twelve 30-day months. The debt securities are direct obligations of Argentina and do not have the benefit of any separate undertaking of other government entities (including Banco Central de la República Argentina).

Status

The debt securities will be direct, unconditional, unsecured and unsubordinated obligations of Argentina and will rank *pari passu* and without preference among themselves. Argentina has pledged its full faith and credit to make all payments of principal and interest on the debt securities when due and to perform all the covenants in the debt securities. Argentina's payment obligations under the debt securities will rank at least equally with all its other present and future unsecured and unsubordinated External Indebtedness (as defined under "Negative Pledge" below).

Payment of Principal and Interest

Unless otherwise provided in the applicable prospectus supplement, Argentina will make payments on the debt securities in U.S. dollars at the New York office of the fiscal agent. We will make payments on the specified payment dates to the registered holders of the debt securities. Unless otherwise provided in the applicable prospectus supplement, Argentina will make payments of interest by check mailed to the registered holders of the debt securities at their registered addresses. The fiscal agent will keep the register of holders of debt securities at its New York office.

Unless otherwise provided in the applicable prospectus supplement, the debt securities will not be subject to any sinking fund. Any money that Argentina pays to the fiscal agent for the payment of any debt security that remains unclaimed for two years will be returned to Argentina. Afterwards, the holder of that debt security may look only to Argentina for payment.

Additional Amounts

Argentina will make all principal and interest payments on the debt securities without deducting or withholding on account of any present or future taxes, duties, assessments or other governmental charges withheld or assessed by Argentina, unless the deduction or withholding is required by law. If Argentina is required to make any deduction or withholding, it will pay the holders the additional amounts required to ensure that they receive the same amount as they would have received without this withholding or deduction.

Argentina will not, however, pay any additional amounts with respect to any debt security in connection with any tax, duty, assessment or other

governmental charge that is imposed due to any of the following:

- the holder is liable to taxes in respect of the debt security because he has some connection with Argentina other than merely holding the debt security or the receipt of principal, premium or interest with respect to that debt security; or
- the debt security is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of the debt security would have been entitled to additional amounts on presenting the debt security for payment on the last day of that 30-day period.

“Relevant Date” in respect of any debt security means the date on which payment in respect of the debt security first becomes due or (if the fiscal agent has not received the full amount of the money payable by such due date) the date on which notice is given to the holders in the manner described in “Notices” below that such moneys have been received and are available for payment.

Form and Denominations

Unless otherwise provided in the applicable prospectus supplement, Argentina will issue debt securities:

- denominated in U.S. dollars;
- in fully registered book-entry form;
- without coupons; and
- in denominations of \$1,000 and integral multiples of \$1,000.

Redemption, Repayment and Repurchase

Unless otherwise provided in the applicable prospectus supplement, the debt securities will not be redeemable before maturity at the option of Argentina or repayable at the option of the registered holders. Nevertheless, Argentina may at any time purchase the debt securities and hold or resell them or surrender them to the fiscal agent for cancellation.

Global Securities

Argentina may issue the debt securities of a series in whole or in part in the form of one or more

global securities, deposited with a depositary or its nominee, which Argentina will identify in the applicable prospectus supplement. Argentina may issue global securities only in fully registered form, and in either temporary or permanent form. Unless a global security is exchanged in whole or in part for a definitive security, it may not be transferred, except as a whole among the depositary, its nominees and their successors. The specific terms of the depositary arrangement for a series of debt securities will be described in the applicable prospectus supplement.

Unless otherwise provided in the prospectus supplement for an offering, Argentina anticipates that the following provisions will apply to depositary arrangements.

Institutions that have accounts with the depositary, such as securities brokers and dealers, are called participants. Only participants and persons that hold interests through participants can own beneficial interests in a global security. The depositary keeps records of the ownership and transfer of beneficial interests in the global security by its participants. In turn, participants keep records of the ownership and transfer of beneficial interests in the global security by other persons, such as their customers. The maintenance of such records will be the sole responsibility of the participants.

If you are a participant, the depositary will send you a written confirmation of your purchase of beneficial interests in the global security, as well as periodic statements detailing your holdings. If you are not a participant, you should receive such information from the participant through which you purchased your interests in the global security. The entity through which you hold your beneficial interests, or the depositary if you are a participant, will make book-entry transfers for you. The deposit of the global security with, and the registration of the bonds in the name of, the depositary or its nominee will not effect any change in beneficial ownership.

As long as the depositary for a global security, or its nominee, is the registered owner of the global security, it will be considered the sole owner and holder of the debt securities represented by that global security under the Fiscal Agency Agreement. As a result, except as provided below or in the applicable prospectus supplement:

- you will not be entitled to have any of the debt securities represented by a global security registered in your name;

- you will not receive or be entitled to receive physical delivery of any debt securities in definitive (certificated) form.

The laws of some states require certain purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to own, pledge or transfer beneficial interests in the bonds. Argentina will make principal and interest payments to the depository or its nominee. The depository will then credit its participants' accounts on the payment date in proportion to the interests they hold in the global security as shown on the depository's records on the record date. In turn, after the participants' accounts are credited, the participants are expected to credit their customers' accounts in the same manner. Payments by participants to owners of beneficial interests in the bonds will be governed by standing customer instructions and the customary practices of the participants. Payments by participants to owners of beneficial interests in the bonds will be the sole responsibility of the participants.

Transfer and Exchange

You may transfer or exchange the debt securities at the New York office of the fiscal agent. You will not have to pay a service charge to register a transfer or exchange of debt securities. However, Argentina or the fiscal agent may charge you for any stamp, tax or other governmental charge that either of them must pay in connection with the exchange or transfer.

Argentina and the fiscal agent may treat the person in whose name any debt security is registered as the owner of that debt security for the purposes of receiving any payment of principal, any premium or interest and for all other purposes.

Physical Securities

Argentina will issue bonds in physical form in exchange for a global bond or bonds only if:

- the depository for a series of debt securities is unwilling or unable to continue acting as depository and Argentina does not appoint a successor depository within 90 days; or
- Argentina decides not to have the debt securities of a series represented by a global security or securities.

In this case, Argentina and the fiscal agent will issue physical bonds:

- registered in the name of each holder;
- without interest coupons; and
- in denominations of \$1,000 and integral multiples of \$1,000.

Replacement of Physical Securities

If any physical debt security becomes mutilated, destroyed, stolen or lost, you can replace it by delivering the debt security or evidence of its loss, theft or destruction to the fiscal agent. If neither Argentina nor the fiscal agent have notice that a bona fide purchaser has acquired the debt security you are exchanging, Argentina will execute, and the fiscal agent will authenticate and deliver to you, a substitute debt security with the same terms as the debt security you are exchanging. You will be required to pay all expenses and reasonable charges associated with the replacement of this debt security.

Argentina and the fiscal agent may require you to sign an indemnity in which you agree to pay Argentina and the fiscal agent for any losses they may suffer relating to the debt security that was destroyed, stolen or lost. In case any mutilated, destroyed, stolen or lost debt security has become or is about to become due and payable, Argentina may pay such debt security instead of replacing it.

Negative Pledge

Argentina has agreed that, except for the exceptions set forth below, as long as any of the debt securities remain outstanding, it will not create or permit to subsist any security interest (*e.g.*, a lien, pledge, mortgage, deed of trust, charge or other encumbrance or preferential arrangement that has the practical effect of constituting a security interest) in its revenues or assets to secure its Public External Indebtedness, unless the debt securities are given equal security or have the benefit of a security, guarantee, indemnity or other arrangement approved by the holders.

Nevertheless, Argentina may permit to subsist:

- (1) any security interest upon property to secure Public External Indebtedness if that Public External

Indebtedness was incurred to finance the acquisition of that property; any renewal or extension of that security interest so long as it is limited to the original property covered by the security interest and it secures any renewal or extension of the original secured financing;

(2) any security existing on that property at the time of its acquisition to secure Public External Indebtedness and any renewal or extension of that security interest that is limited to the original property covered by the security interest and that secures any renewal or extension of the original secured financing;

(3) any security interest created in connection with the transactions contemplated by Argentina's 1992 Financing Plan dated June 23, 1992, sent to the international banking community with the communication dated June 23, 1992, from the Minister of Economy of Argentina (the "1992 Financing Plan") and its implementing documentation, including any security interest to secure obligations under the collateralized bonds issued under the 1992 Financing Plan (the "Par and Discount Bonds") and any security interest securing indebtedness outstanding on the date of this Prospectus to the extent required to be equally and ratably secured with the Par and Discount Bonds;

(4) any security interest in existence on the date of the Fiscal Agency Agreement;

(5) any security interest securing Public External Indebtedness issued upon surrender or cancellation of any of the Par and Discount Bonds or the principal amount of any indebtedness outstanding as of June 23, 1992, in each case, to the extent that security interest is created to secure the Public Indebtedness on a basis comparable to the Par and Discount Bonds;

(6) any security interest on any of the Par and Discount Bonds; and

(7) any security interest securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or

development of a project, provided that (a) the holders of that Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of that project as the principal source of repayment of the Public External Indebtedness and (b) the property over which that security interest is granted consists solely of those assets and revenues.

For the purposes of this section:

- "External Indebtedness" means debt obligations for borrowed money or evidenced by bonds, debentures, notes or similar instruments denominated or payable, or which at the option of the holder may be payable, in a currency other than the lawful currency of Argentina, provided that no Domestic Foreign Currency Indebtedness shall constitute External Indebtedness.
- "Public External Indebtedness" means any External Indebtedness of, or guaranteed by, Argentina which (1) is publicly offered or privately placed in securities markets, (2) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof and (3) is, or was intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter securities market (including securities eligible for sale pursuant to Rule 144A under the Securities Act of 1933, as amended (or any successor law or regulation of similar effect)).
- "Domestic Foreign Currency Indebtedness" means (1) the following indebtedness: (a) Bonos del Tesoro.⁹ issued under Decree No. 1527/91 and Decree No. 1730/91, (b) Bonos de Consolidación issued under Law No. 23,982 and Decree No. 2140/91, (c) Bonos de Consolidación de Deudas Previsionales issued under Law No. 23,982 and Decree No. 2140/91, (d) Bonos de la Tesorería a 10 Años de Plazo issued under Decree No. 211/92 and Decree No. 526/92, (e) Ferrobonos issued under Decree No. 52/92 and Decree No. 526/92, (f) Bonos de Consolidación de Regalías Hidrocarburíferas a 16 Años de Plazo issued under Decree No. 2284/92 and Decree No. 54/93; (g) Letras de Tesorería en Dólares Estadounidenses issued under Argentina's annual budget laws, including those Letras de Tesorería issued under Law No. 24,156 and Decree No. 340/96; and (h) Bonos de Consolidación issued under Law No. 24,411 and

Decree No. 726/97; (2) any indebtedness issued in exchange, or as replacement, for the indebtedness referred to in (1) above; and (3) any other indebtedness payable by its terms, or which at the option of the holder may be payable, in a currency other than the lawful currency of Argentina which is (a) offered exclusively within Argentina or (b) issued in payment, exchange, substitution, discharge or replacement of indebtedness payable in the lawful currency of Argentina; provided that in no event shall the following indebtedness be deemed to constitute "Domestic Foreign Currency Indebtedness": (x) Bonos Externos de la República Argentina issued under Law No. 19,686 enacted on June 15, 1972, (y) Bonos del Tesoro a Mediano Plazo en Dólares Estadounidenses issued under Law No. 24,156 and Decree No. 340/96 and (z) any indebtedness issued by Argentina in exchange, or as replacement, for any indebtedness referred to in (x) or (y) above.

Default and Acceleration of Maturity

Each of the following are events of default under any series of debt securities:

- (1) *Non Payment.* Argentina fails for 30 days after the applicable payment date to make any payment of principal or interest on that series of debt securities;
- (2) *Breach of Other Obligations.* Argentina fails to perform or comply with any other obligation under the debt securities or under the Fiscal Agency Agreement and Argentina does not or cannot cure that failure within 90 days after it receives written notice from the fiscal agent regarding that default;
- (3) *Cross Default.* Any event or condition occurs that results in the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any of Argentina's Public External Indebtedness having an aggregate principal amount of \$30,000,000 or more, or Argentina fails to make any payment of principal, premium, prepayment charge or interest when due on any of its Public External Indebtedness having an aggregate principal amount of \$30,000,000 or more and that failure continues past the applicable grace period, if any;

- (4) *Moratorium.* Argentina declares a moratorium on the payment of principal of or interest on its Public External Indebtedness; or
- (5) *Validity.* Argentina contests the validity of that series of debt securities.

If any of the events of default described above occurs and is continuing, the holders of 25% or more in aggregate principal amount of the debt securities of the applicable series may, by written notice to Argentina at the office of the fiscal agent, declare the principal amount of all the debt securities of that series to be immediately due and payable. In the case of (1), (4) and (5) above, each holder of debt securities of the series may, by written notice to Argentina at the office of the fiscal agent, declare the principal amount of debt securities of that series (or with respect to discounted debt securities, that portion of those debt securities as may be described in the relevant prospectus supplement) held by it to be immediately due and payable. In the case of (2), (4) and (5) above, the event must be materially prejudicial to the interests of the holders of the debt securities of the series. Upon such declaration, the relevant debt securities will be immediately due and payable on the date that Argentina receives written notice, as described above. If Argentina has cured all events of default in respect of all the debt securities of that series before receiving such notice, then no acceleration will occur.

If Argentina receives an acceleration notice, it can prevent the sale of any of its property under a judgment for payment by:

- paying or depositing with the fiscal agent a sum sufficient to pay all matured amounts of interest and principal upon all the debt securities that have become due other than solely by declaration of acceleration (with interest on overdue amounts of interest, to the extent permitted by law, and on such principal of each debt security at the rate of interest set forth in relevant prospectus supplement, to the date of such payment or deposit);
- paying or depositing with the fiscal agent a sum sufficient to pay the expenses of the fiscal agent and reasonable compensation to the fiscal agent, its agents and legal advisers; and
- remedying any and all defaults under the debt securities, other than the non-payment of

principal on the debt securities of the series due solely to acceleration.

If Argentina complies with these conditions, then at a meeting of holders, the holders of 75% in aggregate principal amount of the outstanding debt securities of the series, by written notice to Argentina at the office of the fiscal agent, may on behalf of the holders of all the debt securities of the series waive all defaults and rescind and annul the declaration. Any waiver or rescission and annulment will not extend to or affect any subsequent default or impair any rights of holders with respect to later defaults.

Meetings and Amendments

In accordance with the requirements described below, a meeting of holders of debt securities of any series may be called at any time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action. The fiscal agent may at any time call a meeting of holders of debt securities of any series to be held at a time and place determined by the fiscal agent. In addition, if Argentina or the holders of at least 10% in aggregate principal amount of outstanding debt securities of any series make a written request that sets forth in reasonable detail the action proposed to be taken, the fiscal agent shall call a meeting of the holders of debt securities of that series.

Notice of each meeting shall:

- set forth the time and the place of the meeting;
- state, in general terms, the action proposed to be taken at the meeting; and
- be given as provided in the terms of the relevant debt securities, but not less than 30 or more than 60 days prior to the date fixed for the meeting.

Only holders of outstanding debt securities of the relevant series or persons duly appointed in writing as their proxies are entitled to vote at any meeting. Holders or proxies representing a majority in principal amount of the outstanding debt securities of the series shall constitute a quorum. At the reconvening of any meeting adjourned for a lack of a quorum, holders or proxies representing 25% in principal amount of the outstanding debt securities of the series will constitute a quorum for the taking of any action set forth in the notice of the original meeting. The fiscal agent may make any reasonable

and customary regulations as it deems advisable for any meeting with respect to:

- the proof of the holding of debt securities;
- the appointment of proxies by the holders;
- the record date for determining the registered holders who are entitled to vote;
- the appointment and duties of inspectors of votes, certificates and other evidence of the right to vote; and
- other matters concerning the conduct of the meeting as the fiscal agent deems appropriate. Argentina, the fiscal agent and the holders of the debt securities may generally modify or take action with respect to the Fiscal Agency Agreement or the terms of the debt securities of a series upon the affirmative vote or written consent of the holders of not less than 2/3% of the outstanding principal amount of the debt securities of a series. The following modifications, however, require the consent of the holder of each debt security of a series:
 - a change in the payment dates for the payment of principal, premium, or interest;
 - a reduction of the principal amount, the portion of the principal amount payable upon acceleration or the interest rate;
 - a change in the payment currency or places of payment;
 - a change in procedures for or in the definition of an event of redemption in the debt securities of a series;
 - a shortening of the period during which Argentina is not permitted to redeem the debt securities of a series if, prior to that action, Argentina is not permitted to redeem the debt securities;
 - a reduction of the proportion of the principal amount of the debt securities of a series the vote or consent of the holders of which is necessary to take action with respect to or modify the Fiscal Agency Agreement or the terms and conditions of the debt securities of the series; or

- a change in Argentina's obligation to pay additional amounts.

Argentina and the fiscal agent may agree, without the vote or consent of any holder of debt securities of any series, to:

- any modification of the Fiscal Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, or
- any modification (except as mentioned in the Fiscal Agency Agreement) of the Fiscal Agency Agreement that in the opinion of Argentina and the fiscal agent is not materially prejudicial to the interests of the holders.

Any modification will be binding on the holders of debt securities of that series.

Prescription

The debt securities will become void unless claimed within ten years from the due date for payment. Interest payments on the debt securities will become void unless claimed within five years from the due date for payment.

Notices

Unless otherwise set forth in the applicable prospectus supplement, notices to the holders of debt securities will be mailed to the addresses of such holders or published in such publications as are set forth in the applicable prospectus supplement. Any such notice shall be deemed to have been given on the date of mailing or, if published, on the first date on which publication is made.

Description of Warrants

If Argentina issues warrants, it will file the applicable warrant agreement and the form of warrant with the SEC as an exhibit to the Registration Statement of which this prospectus is a part. The following description briefly summarizes the principal terms of the warrants and any warrant agreement. You should read the applicable warrant agreement, the form of warrant and the applicable prospectus supplement before making your investment decision.

Argentina may issue warrants separately or with any debt securities. Argentina will issue any warrants under a warrant agreement between Argentina and a bank or trust company, as warrant

agent. The prospectus supplement relating to a particular series of warrants offered will include specific terms relating to the warrants. These terms will include some or all of the following:

- the terms of the debt securities that you will receive on exercise of the warrants;
- the principal amount of debt securities that you will receive on exercise of one warrant;
- the exercise price;
- the procedures of, and conditions to, exercise of the warrants;
- the date or dates on which you must exercise the warrants;
- whether and under what conditions Argentina may cancel the warrants;
- the date, if any, on and after which the warrants and any debt securities issued with the warrants will trade separately;
- the form in which the warrants will be issued, whether the warrants will be exchangeable for another form, and if registered, where you may transfer and register them;
- any special U.S. federal income tax considerations; and
- any other terms of the warrants.

Governing Law

The securities, the Fiscal Agency Agreement and the warrant agreement will provide that they are to be governed by, and interpreted in accordance with, the laws of the State of New York, except with respect to their authorization and execution by and on behalf of Argentina, which shall be governed by the laws of Argentina.

Jurisdiction, Consent to Service, Enforceability and Immunities from Attachment

Argentina will appoint Banco de la Nación Argentina, at its office presently located at 299 Park Avenue, New York, New York 10171, as its authorized agent for service of process in any action based on the securities which a holder may institute in any state or federal court in the Borough of

Manhattan, The City of New York. Argentina will irrevocably submit to the jurisdiction of these courts in respect of any such action and will irrevocably waive any objection which it may have to the venue of these courts in respect of any such action. Argentina will irrevocably waive and agree not to plead any immunity from the jurisdiction of these courts to which it might otherwise be entitled (including sovereign immunity and immunity from pre-judgment attachment, post-judgment attachment and execution) in any action based upon the securities. In addition, Argentina will waive any rights to which it may be entitled on account of place of residence or domicile.

Argentina is a foreign sovereign state. Thus, it may be difficult for you to obtain, enforce or collect on judgments against Argentina in U.S. courts. Argentina is also subject to suit in competent courts in Argentina. However, Argentine courts will not order attachment prior to judgment or attachment in aid of execution with respect to:

- assets that constitute freely available reserves pursuant to Article 6 of the Convertibility Law, the amount, composition and investment of which is reflected on the balance sheet and accounting statements of Banco Central prepared pursuant to Article 5 of the Convertibility Law;
- public property if that property is located in Argentina and included within the provisions of Article 2,337 or 2,340 of the Argentina Civil Code or if that property directly provides an essential public service.
- any funds, assets and other financial resources, including the proceeds of any financing, (whether in the form of cash, bank deposits, securities, third party obligations or any other methods of payment) of the Argentine government, its governmental agencies and other governmental entities relating to the performance of any budget.

Argentina reserves the right to plead sovereign immunity under the United States Foreign Sovereign Immunities Act of 1976 (the "Immunities Act") in actions brought against it under United States federal securities laws or any state securities laws. Without Argentina's waiver of immunity regarding these actions, you will not be able to obtain a judgment in a U.S. court against Argentina unless the court determines that Argentina is not entitled to sovereign immunity under the Immunities Act.

However, even if you could obtain a U.S. judgment, you will be able to enforce it in Argentina only if an Argentine court determines that the judgment does not violate principles of Argentine public policy.

TAXATION

The following discussion summarizes certain U.S. federal income and Argentine federal tax considerations that may be relevant to you if you invest in the debt securities. This summary is based on laws, regulations, rulings and decisions now in effect in the U.S. and on laws and regulations in effect in Argentina and may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax adviser about the tax consequences of holding debt securities, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Argentine Taxation

Under existing laws and regulations of Argentina, if you are an individual that is a non-resident of Argentina or a legal entity that is neither organized in, nor maintains a permanent establishment in Argentina (collectively, a "non-resident holder"), payments to you of principal and interest on the debt securities will not be subject to taxation in Argentina, and no withholding of any Argentine tax will be required on any such payments to you. In addition, gains you obtain from the sale or exchange of the debt securities will not be subject to Argentine income tax. In the event of the imposition of withholding taxes or duties, Argentina has undertaken to pay additional amounts, subject to certain limitations as described in "Description of Securities — Description of Debt Securities — Additional Amounts." Pursuant to the Argentine Personal Asset Tax Law No. 23,966, as amended (the "PATL"), individuals and estates domiciled in or outside Argentina are subject to a personal asset tax (the "Personal Asset Tax") on their holdings of debt securities held by such individuals or estates at December 31 in the relevant tax year. Although debt securities held by individuals and estates domiciled outside Argentina would be encompassed by the Personal Asset Tax, Argentine tax legislation does not provide for any mechanism for the collection of this tax. On this basis, it is well established that the

Personal Asset Tax is not applicable to debt securities held by non-resident individuals or estates. Legal entities domiciled outside Argentina are not subject to the Personal Asset Tax, unless any such non-resident legal entity is deemed to be an offshore taxable entity. However, even if a non-resident legal entity is otherwise deemed to be an offshore taxable entity, under the first paragraph of Article 29 of Decree 127/96, as amended, there is an exemption from the Personal Asset Tax for bonds, notes or other debt securities issued by Argentina, any of its provincial governments or municipalities, if the terms of any such securities are governed by foreign law (that is, any law other than Argentine law).

United States Federal Taxation

If you are a United States person as defined below, the interest you receive on the bonds will generally be subject to United States taxation and will be considered ordinary interest income.

In the opinion of Cleary, Gottlieb, Steen & Hamilton, United States counsel for Argentina, under United States federal income tax law as currently in effect, if you are a holder of the debt securities who is not a United States person as defined below, you will generally not be subject to United States federal income taxes, including withholding taxes, on payments of interest (including any original issue discount) on the debt securities so long as the certification requirements described below are satisfied.

Even if you are not a United States person, you may still be subject to United States federal income taxes on any gain you realize on a sale or exchange of the debt securities if:

- you are an insurance company carrying on a United States insurance business, within the meaning of the United States Internal Revenue Code of 1986, as amended, to which the interest is attributable, or
- you have an office or other fixed place of business in the United States to which the interest is attributable and the interest either is (1) derived in the active conduct of a banking, financing or similar business within the United States or (2) received by a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

If you are not a United States person, any gain you realize on a sale or exchange of the debt securities will generally be exempt from United States federal income tax, including withholding tax. However, to receive this exemption you may be required to satisfy certain certification requirements (described below) of the United States Internal Revenue Service to establish that you are not a United States person.

Even if you are not a United States person, you may still be subject to United States federal income taxes on any interest payments you receive if:

- the gain is effectively connected with your conduct of a trade or business in the United States or you are an individual and are present in the United States for 183 days or more in the taxable year of the sale, and either (1) your gain or income is attributable to an office or other fixed place of business that you maintain in the United States or (2) you have a tax home in the United States.

The fiscal agent must file information returns with the United States Internal Revenue Service with respect to payments made to certain United States persons on the debt securities. In addition, certain United States persons may be subject to a 31% United States backup withholding tax in respect on such payments if they do not provide their taxpayer identification numbers and comply with certain other requirements. If you are not a United States person, you may be required to comply with applicable certification procedures to establish that you are not a United States person in order to avoid the application of these information reporting requirements and backup withholding tax. Similar rules requiring information reporting and, in certain circumstances, backup withholding will apply to sales of debt securities through certain brokers.

A debt security held by an individual holder who at the time of death is a nonresident alien will not be subject to United States federal estate tax.

You are a United States person for U.S. federal income tax purposes if you are:

- a citizen or resident of the United States;
- a corporation, partnership, or other entity organized under the laws of the United States or any political subdivision;

- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

The term "United States" means the United States of America (including the States and the District of Columbia), its possessions, territories and other areas subject to its jurisdiction.

Argentina will provide any additional tax considerations relevant to holders of a particular series of debt securities in the applicable prospectus supplement.

PLAN OF DISTRIBUTION

Argentina may sell the debt securities and warrants in any of the following ways:

- through underwriters or dealers;
- directly to one or more purchasers; or
- through agents.

Each prospectus supplement will set forth:

- the terms of the offering;
- the name or names of any underwriters;
- the purchase price of the securities of that series;
- the net proceeds to Argentina from the sale;
- any underwriting discounts, agent commissions or other items constituting underwriters' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallocated or paid to dealers; and
- any securities exchanges on which the securities may be listed.

If underwriters are used in the sale of any securities, the underwriters will purchase the securities for their own account and may resell them from time to time in one or more transactions, including:

- negotiated transactions;
- at a fixed public offering price; or
- at varying prices to be determined at the time of sale.

Argentina may offer the securities to the public either through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if any are purchased. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

Argentina may also sell the securities directly to the public or through agents designated by Argentina from time to time. The applicable prospectus supplement will name any agent involved in the offer or sale of securities and will disclose any commissions Argentina may pay to these agents. Unless otherwise specified in the applicable prospectus supplement, an agent used in the sale of securities will sell the securities on a reasonable best efforts basis for the period of its appointment.

Argentina may authorize agents, underwriters or dealers to solicit offers by certain specified entities to purchase the securities from Argentina at the public offering price set forth in the applicable prospectus supplement under delayed delivery contracts providing for payment and delivery on a future date specified in that prospectus supplement. Delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement. The applicable prospectus supplement will set forth the commission payable for solicitation of these delayed delivery contracts. Argentina may offer the securities of any series to present holders of other securities of Argentina as consideration for the purchase or exchange by Argentina of these other securities. This offer may be in connection with a publicly announced tender, exchange or other offer for these

securities or in privately negotiated transactions. This offering may be in addition to or in lieu of sales of securities directly or through underwriters or agents as set forth in the applicable prospectus supplement. Argentina may agree to indemnify agents and underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the agents or underwriters may be required to make in respect of any of these liabilities. Agents and underwriters may engage in transactions with or perform services for Argentina in the ordinary course of business. Unless otherwise specified in the applicable prospectus supplement, for securities offered and sold outside the United States, each underwriter or dealer involved in the sale of the securities acknowledges that the securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

OFFICIAL STATEMENTS

Information included in this prospectus that is identified as being derived from a publication of, or supplied by, Argentina or one of its agencies or instrumentalities is included on the authority of that publication as a public official document of Argentina. All other information in this prospectus and the registration statement of which this prospectus is a part, other than that included under the caption "Plan of Distribution", is included as a public official statement made on the authority of Dr. Daniel Marx, Secretary of Finance of Argentina.

VALIDITY OF THE SECURITIES

The Attorney General of the Treasury of Argentina and the Legal Undersecretary or the Secretary of Coordination of the Ministry of Economy of Argentina and Cleary, Gottlieb, Steen & Hamilton, United States counsel to Argentina, will pass upon the validity of the debt securities on behalf of Argentina.

United States or Argentine counsel to the underwriters named in the applicable prospectus supplement will pass upon the validity of the debt securities on behalf of the underwriters, if any.

As to all matters of Argentine law, Cleary, Gottlieb, Steen & Hamilton will rely upon the opinion of the Attorney General of the Treasury of Argentina and the Legal Undersecretary or the Secretary of Coordination of the Ministry of

Economy of Argentina and United States counsel to the underwriters will rely upon the opinion of Argentine counsel to the underwriters.

AUTHORIZED REPRESENTATIVE

The Authorized Representative of Argentina in the United States is Noemí La Greca, Financial Representative of Argentina, whose address is Office of the Financial Representative of Argentina, 1901 L Street N.W., Suite 606, Washington, D.C. 20036.

FURTHER INFORMATION

Argentina has authorized the issue and terms of the debt securities pursuant to:

- Decree No. 1161, dated July 15, 1994 and Decree No. 350, dated April 18, 2000;
- Resolution No. 1094, dated September 9, 1994 and Resolution No. 190, dated September 20, 1996, of the Ministry of Economy of Argentina; and Resolution No. 397, dated May 9, 2000, of the Ministry of Economy of Argentina; and
- Resolution No. 1, dated January 3, 1997, Resolution No. 372, dated August 27, 1997, Resolution No. 380, dated September 1, 1997, Resolution No. 395, dated September 8, 1997, Resolution No. 326, dated July 10, 1998, Resolution No. 325, dated June 8, 1999, and Resolution No. 5, dated January 21, 2000, of the Secretary of the Treasury of Argentina.

WHERE YOU CAN FIND MORE INFORMATION

Argentina has filed a registration statement with the SEC relating to the debt securities and warrants to purchase or exchange debt securities. This prospectus does not contain all of the information described in the registration statement. For further information, you should refer to the registration statement.

Argentina is not subject to the informational requirements of the Securities and Exchange Act of 1934. Argentina files annual reports on Form 18-K with the SEC on a voluntary basis. These reports contain certain financial, statistical, and other information concerning Argentina. Argentina may also file amendments on Form 18-K/A to its annual

reports for the purpose of filing with the SEC exhibits which have not been included in the registration statement to which this prospectus and any prospectus supplements relate. These exhibits are incorporated by reference into the registration statement to which this prospectus relates.

You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. You may also read and copy these documents at the SEC's public reference room in Washington, D.C. or at the SEC's regional offices:

Room 1024, Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

Seven World Trade Center
New York, NY 10048
500 West Madison Street, Suite 1400
Chicago, Illinois 60661-2511

You may call the SEC at 1-800-SEC-0330 for further information.

Description of the Issuer

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CURRENCY OF PRESENTATION

References in this annual report to “dollars,” “U.S. dollars,” “U.S.\$” and “\$” are to the currency of the United States of America. References to “pesos” and “Ps.” are to Argentine pesos. For purposes of this annual report, Argentina has converted historical amounts translated into dollars at historical rates of exchange. Argentina has converted all amounts as of January 1, 1992 or for periods prior to January 1, 1992 presented in this annual report and stated in pesos from australes at a rate of 10,000 australes to one peso.

Prior to December 1989, Argentina imposed exchange controls on its foreign exchange market. Since December 1989, Argentina has had a freely floating exchange rate for all foreign currency transactions. Argentina devalued its currency at various times during the 30 years prior to April 1, 1991. Since April 1, 1991, the effective date of the Convertibility Law (as defined below), the Argentine currency has been freely convertible into dollars. Under the Convertibility Law, Argentina’s central bank, Banco Central de la República Argentina, referred to in this annual report as the “Central Bank,” must:

- maintain a reserve in foreign currencies, gold and certain federal government bonds denominated in foreign currencies equal to or greater than the amount of outstanding Argentine currency and
- buy or sell dollars to any person at a rate of one peso per dollar.

The following table sets forth, for the periods indicated, the period-end, average, high and low exchange rate for the purchase of dollars, expressed in nominal pesos per dollar. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

	Exchange Rate			
	High	Low	Average(1)	Period end
1995.....	1.0000	0.9990	1.0000	1.0000
1996.....	1.0000	1.0000	1.0000	1.0000
1997.....	1.0000	1.0000	1.0000	1.0000
1998.....	1.0000	1.0000	1.0000	1.0000
1999.....	1.0000	1.0000	1.0000	1.0000
2000(2).....	1.0000	1.0000	1.0000	1.0000

(1) Used for national accounts purposes. Based on monthly average exchange rates.

(2) Figure is as of June 30, 2000.

Source: Banco de la Nación Argentina.

All references in this annual report to the “Government” are to the federal Government of the Republic of Argentina.

Tables in this report may not add due to rounding.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this report.

	1995	1996	1997	1998	1999(1)
THE ECONOMY					
(billions of dollars unless otherwise indicated)					
Gross Domestic Product ("GDP")					
Real (in billions of 1993 pesos)	Ps. 243.19	Ps. 256.63	Ps. 277.44	Ps. 288.20	Ps. 279.22
(rate of change from prior year)	(2.8)%	5.5%	8.1%	3.9%	(3.1)%
Nominal	\$ 258.03	\$ 272.15	\$ 292.86	\$ 298.13	\$ 283.13
Consumer Price Index ("CPI")(rate of change from prior year)	1.6%	0.2%	0.3%	0.7%	(1.8)%
Unemployment rate (as of May 31 of each year)	18.4%	17.1%	16.1%	13.2%	14.5%
Balance of payments(2)					
Trade balance	\$ 2.36	\$ 1.76	\$ (2.12)	\$ (3.01)	\$ (.78)
Current account	\$ (4.94)	\$ (6.47)	\$ (12.04)	\$ (14.70)	\$ (12.29)
Capital account	\$ 6.52	\$ 12.00	\$ 16.60	\$ 18.20	\$ 13.95
Change in gross international reserves(3)	\$ (0.10)	\$ 3.88	\$ 3.27	\$ 3.44	\$ 1.20
Gross international reserves (at end of period)(4)	\$ 18.51	\$ 21.54	\$ 24.31	\$ 26.52	\$ 27.83
PUBLIC FINANCE					
Public sector revenues (excluding privatization proceeds)	\$ 47.97	\$ 46.42	\$ 54.26	\$ 56.41	\$ 54.83
% of GDP	18.6%	17.0%	18.6%	18.9%	19.4%
Public sector expenditures (excluding interest payments)	\$ 46.44	\$ 47.37	\$ 53.10	\$ 53.92	\$ 53.95
% of GDP	18.0%	17.4%	18.1%	18.1%	19.1%
Primary balance before privatizations	\$ 1.54	\$ (0.95)	\$ 1.16	\$ 2.49	\$ 0.88
% of GDP	0.6%	0.4%	0.4%	0.8%	0.3%
Overall balance (including privatizations)	\$ (1.37)	\$ (5.19)	\$ (4.28)	\$ (4.07)	\$ (4.77)
% of GDP	(0.5)%	(1.9)%	(1.5)%	(1.4)%	(1.7)%
PUBLIC DEBT(5)					
Peso-denominated public debt(6)	\$ 5.88	\$ 8.17	\$ 10.29	\$ 8.99	\$ 8.14
Net foreign currency-denominated Public debt	<u>77.67</u>	<u>85.49</u>	<u>87.83</u>	<u>96.54</u>	<u>102.80</u>
Total net public debt	<u>\$ 83.55</u>	<u>\$ 93.66</u>	<u>\$ 98.12</u>	<u>\$ 105.51</u>	<u>\$ 110.94</u>
Total net public debt as % of GDP(7) ...	32.4%	34.4%	33.5%	35.4%	39.2%

(1) Preliminary figures.

(2) Import and export figures are measured on an FOB basis. See "Foreign Trade and Balance of Payments—Balance of Payments."

(3) Reflects changes in gross international reserves, excluding public bonds. See "Foreign Trade and Balance of Payments—Balance of Payments."

(4) Includes holdings in gold, foreign currencies and Government notes.

(5) Figures for 1995 through 1997 were prepared by the Ministry of Economy.

(6) Figures for 1995 and 1996 include only public bonds denominated in pesos. Figures for 1997 through 1999 include all public debt denominated in pesos.

(7) Calculated in U.S. dollars, with GDP converted at the year-end exchange rate.

Sources: Instituto Nacional de Estadísticas y Censos, referred to in this annual report as the National Institute of Statistics and Census or INDEC, Ministry of Economy and the Central Bank.

THE REPUBLIC OF ARGENTINA

Territory and Population

The Republic of Argentina consists of 23 provinces and the federal capital of Buenos Aires. Located in the southeastern sector of the South American continent, Argentina is the second largest country in Latin America in terms of territory, covering approximately 2.8 million square kilometers (1.1 million square miles) or 3.8 million square kilometers (1.5 million square miles) if territorial claims in the Antarctic (covering approximately 970,000 square kilometers) and south Atlantic islands (covering approximately 5,000 square kilometers) are included.

The most densely inhabited areas and the main agricultural regions of the country are located on the wide temperate belt that stretches across central Argentina. The Republic's population is estimated at 36.6 million. Of a population of approximately 32.6 million in 1991 (the year of the most recent census), about 10.9 million people lived in the greater Buenos Aires area. Six other urban centers—Córdoba, Rosario, Mendoza, San Miguel de Tucumán, Mar del Plata and La Plata—each had a population of over 500,000. During the period from 1980 to 1990 (the last period for which figures are available), Argentina's population grew at an average annual rate of 1.4%. Approximately 79% of the population is urban, and approximately 96% of the population is literate.

The World Bank and other international organizations classify Argentina as a middle-income developing country. The following table sets forth comparative GDP figures and selected other comparative statistics for 1998.

	<u>Argentina</u>	<u>Brazil</u>	<u>Chile</u>	<u>Mexico</u>	<u>Venezuela</u>	<u>United States</u>
Per capita GDP	\$ 7,740(1)	\$ 4,630	\$ 4,990	\$ 3,840	\$ 3,530	\$ 29,240
Life expectancy (in years)	73	67	75	72	73	77
Adult literacy rate	96%	83%	95%	90%	91%	(2)
Infant mortality (as % of live births).....	1.9%	3.3%	1.0%	3.0%	2.1%	0.7%

(1) Source for Argentine figure is INDEC and Ministry of the Economy. This figure is as of 1999.

(2) According to UNESCO, illiteracy is less than 5%.

Source: The World Bank.

Government and Political Parties

The Argentine Constitution, first adopted in 1853, provides for a tripartite system of government divided into an executive branch headed by the President, a legislative branch made up of a bicameral Congress and a judicial branch.

The Constitution was last amended on August 22, 1994. The changes:

- permitted the President to serve for a maximum of two consecutive terms,
- allowed direct elections for President, Vice-President and the mayor of Buenos Aires,
- shortened presidential terms from six years to four years and
- abolished the requirement that the President be Roman Catholic.

The President is responsible for the general administration of the country and has the power to veto laws in whole or in part. Congress may override a presidential veto by a two-thirds majority vote. The *Jefatura del Gabinete de Ministros* (the Chief of the Cabinet of Ministers) is responsible for implementing general administration of the country and for preparing the Government's annual budget, which is subject to approval by the President and

Congress. The President chooses the Chief of the Cabinet but the Chief of the Cabinet may be removed by an absolute majority vote of both houses of Congress.

The Congress is composed of the Senate and the Chamber of Deputies. There are 72 Senators (three for each province and for the federal capital). Two Senators from each province represent the party receiving the largest number of votes, and the third Senator represents the party receiving the second largest number of votes. Prior to 1994, Argentine Senators served nine-year terms and were selected by an electoral council. The 1994 constitutional amendments changed this system and provided for six-year staggered terms and elections, by popular vote, for one-third of the Senate seats every two years. As a transitional measure, the Constitution provided that Senators elected before the adoption of the 1994 amendments would serve out the remainder of their terms. Elections for seats occupied by Senators elected in 1986 were held in 1995 and elections for seats occupied by Senators elected in 1989 were held in 1998. Senators elected in these two elections will serve until 2001. In 2001, elections will be held for all Senate seats. Following the 2001 elections, a lottery will be held to determine the term length of each new Senator. One-third of the Senators will serve two-year terms, one-third will serve four-year terms and one-third will serve six-year terms. All Senators elected in subsequent elections will serve six-year terms. The Chamber of Deputies consists of 257 seats, which are allocated according to each province's population. Deputies serve for four-year staggered terms, resulting in elections, by popular vote, every two years for one half of the seats.

The judicial system is comprised of the federal and provincial trial courts, courts of appeal and the Supreme Court of Justice. The Supreme Court of Justice consists of nine members who are appointed for life by the President, subject to ratification by the Senate. Under a 1994 amendment to the Constitution, the President must select lower federal court judges from a list of nominees selected by an independent body comprised of lawyers and academics. In 1998 and 1999, Argentina instituted steps to implement this system, which was designed to reduce political influence in the appointment and dismissal of such judges. As of September 1, 1999, the President had not selected any lower federal court judges under this system.

Each province has its own constitution and the people of each province elect a governor, legislators and judges independently from the federal Government.

The three largest political parties in Argentina are:

- the *Partido Justicialista* or Peronist Party ("PJ"), which evolved out of former President Juan Perón's efforts to expand the role of labor in the political process in the 1940s,
- the *Unión Cívica Radical* or Radical Civic Union ("UCR"), founded in 1890 and
- the *Frente del País Solidario* or Front for a Country in Solidarity ("Frepasso") formed in 1994 by former members of the PJ and a small socialist party.

During 1997, members of the UCR and Frepasso formed a coalition called *Alianza* (the "Alliance"). The Alliance has a platform centered on remedying social problems, including reducing unemployment, increasing social assistance and improving education. The PJ has a liberal economic wing that supports deregulation of the economy and advocates free-market principles. The PJ also has a wing that is aligned with the party's traditional labor and social platform. Support for the PJ, the UCR and the Alliance is broadly based. Frepasso receives most of its support from the federal district of Buenos Aires. The fourth major party, *Acción por la República* or Movement for the Republic, was formed in April 1997 by the former Economy Minister, Domingo Cavallo. Smaller parties occupy various positions on the political spectrum, and some are active only in certain provinces.

The following table shows the party composition of the Argentine Chamber of Deputies and Senate following the elections in the years indicated.

Party Composition of the Argentine Congress

Party	Chamber of Deputies				Senate	
	1995	1997(2)	1999(4)	1992(5)	1995	1998
PJ.....	130	119	101	30	40	39
Alliance(1).....	--	--	125(1)	--	--	--(1)
UCR.....	70	68(3)	--	11	22	22(3)
Frepasso.....	28	38(3)	--	--	1	1(3)
Others.....	<u>29</u>	<u>32</u>		<u>7</u>	<u>9</u>	<u>9</u>
Total.....	<u>257</u>	<u>257</u>	<u>257</u>	<u>48</u>	<u>72(6)</u>	<u>72</u>

- (1) Since the Chamber of Deputies elections in 1999, members of UCR and Frepasso have run as Alliance candidates instead of candidates of UCR or Frepasso.
 - (2) Composition of the Chamber of Deputies as of December 10, 1997, when the Deputies elected in 1997 took office.
 - (3) Includes members of the Alliance.
 - (4) Composition of the Chamber of Deputies as of December 10, 1999, when the Deputies elected in 1999 took office.
 - (5) Composition of the Senate following elections held in 1992. Subsequently two Senators from the PJ joined Frepasso.
 - (6) The size of the Senate increased pursuant to the 1994 amendment of the Constitution.
- Source: Information Office of Argentine Congress.

Members of the Alliance gained 19 seats in the Chamber of Deputies in elections held on October 24, 1999. The PJ lost 18 seats in the Chamber of Deputies in these elections. As a result, the Alliance holds 118 of the 257 seats in the Chamber of Deputies and the PJ holds 101. The next elections for the Chamber of Deputies are scheduled to take place in October 2001. The next Senate elections are expected to take place in October 2001.

Since 1983, Argentina has had three consecutively elected civilian Presidents. Raúl Alfonsín, elected in 1983, was the first civilian President in six decades to remain in office until the scheduled election of a successor. His UCR Government re-established civilian rule, including a functioning Congress. Carlos Menem, a member of the PJ, won two consecutive presidential elections, in May 1989 and May 1995. Fernando de la Rúa of the Alliance won the presidency in the October 1999 election and took office on December 10, 1999.

One of the primary goals of President de la Rúa's administration is to reduce Argentina's fiscal deficit. On December 29, 1999, Congress approved an Alliance-sponsored tax package designed to raise tax collections by an additional U.S.\$2.0 billion for the year 2000. On December 28, 1999, Congress approved Argentina's year 2000 budget, which includes Alliance proposals to reduce expenditures by U.S.\$1.4 billion and to limit federal tax transfers to the provinces.

Prior to Argentina's return to democracy in 1983, Argentina's political parties had difficulty resolving the intergroup conflicts that arose out of the Great Depression of the 1930s, the deepening social divisions that occurred under the Perón Government and the economic stagnation of the several decades preceding the 1990s. The military intervened in the political process on several occasions and ruled the country for a total of 22 years between 1930 and 1983. Poor economic management by the military and the loss of a brief war with the United Kingdom over the Malvinas (Falkland) Islands led to the end of the most recent military Government in 1983, which had ruled the country since 1976. Four uprisings by discontented factions within the military occurred after 1983, most recently in December 1990. These uprisings failed due to a lack of support from the public and the military as a whole.

Foreign Affairs and International Organizations

Argentina has diplomatic relations with 139 countries and is a member of over 116 international organizations. Argentina is a charter member of the United Nations and currently serves as a member of its Security

Council, with a term expiring December 31, 2000. Argentina is a founding member of the Organization of American States and is also a member of the following international organizations:

- the International Bank for Reconstruction and Development, known as the World Bank,
- the International Monetary Fund, or the IMF,
- the International Finance Corporation, or the IFC,
- the Inter-American Development Bank, or the IADB and
- the World Trade Organization, or the WTO.

Argentina is a permanent member of the Interim Committee of the IMF (a policy advisory committee) and is a party to the General Agreement on Tariffs and Trade, or the GATT. In October 1997, the United States designated Argentina as a non-NATO ally.

Argentina has entered into 166 bilateral agreements with a variety of countries, including the United States, Canada, Germany, France, Italy, Spain, Switzerland, Sweden and the United Kingdom. These agreements cover a broad range of topics, including foreign direct investment, trade and tax matters. In addition, Argentina is in the process of negotiating a variety of other bilateral treaties.

In its relations with other Latin American nations, Argentina has emphasized cooperation in trade and investment issues. The most notable achievement in Argentina's relations with its neighbors is the signing of the Treaty of Asunción in March 1991, creating the Mercosur Common Market, or Mercosur. In addition to Argentina, the members of Mercosur are Brazil, Paraguay and Uruguay. Chile and Bolivia are associate members of Mercosur. Mercosur's objective is to gradually integrate the economies of member countries and harmonize their economic and fiscal policies, including the fixing of a common external tariff and the adoption of a common trade policy with respect to non-Mercosur countries. Mercosur has entered into a trade and cooperation agreement with the European Union, or the EU, that is automatically renewable on a yearly basis.

THE ARGENTINE ECONOMY

Introduction

The Argentine economy has undergone profound economic changes since the Menem administration began to implement free-market principles in 1989 under the convertibility plan. A cornerstone of the convertibility plan is Law No. 23,928, enacted by the Congress on March 27, 1991. This law, as amended and supplemented, is referred to in this annual report as the Convertibility Law. The Convertibility Law requires the Central Bank to sell U.S. dollars at a rate of one peso for one U.S. dollar and prohibits Argentina's monetary base from exceeding its international reserves. By limiting the Government's ability to expand the money supply, the Convertibility Law has greatly reduced inflation, which had previously reached hyperinflationary levels. The free-market principles underlying the convertibility plan include:

- the deregulation of the economy, including the deregulation of foreign investment and the removal of restrictions on capital movements,
- the liberalization of trade, including the lowering of trade barriers,
- social security reform, mainly through the transformation of the public system into a self-funding system,
- fiscal consolidation, including a significant reduction of the fiscal deficit,
- monetary reform, including the Convertibility Law and the establishment of Central Bank independence and
- the privatization of most state enterprises.

Set forth below is an overview of economic developments following Argentina's adoption of the convertibility plan.

GDP

Between 1991 and 1999, Argentina's GDP grew at a cumulative rate of 53.0%. GDP grew in each year between 1991 and 1994, driven by political and economic stability, consumer confidence and increased investment. In 1995 GDP contracted 2.8% due to the capital flight, reduced demand and investment that affected Argentina and the Latin American region as a whole following the December 1994 devaluation of the Mexican Peso, referred to in this annual report as the Mexican Crisis. The reduction in economic activity led to increased unemployment and poverty rates in Argentina. A decrease in bank deposits and widespread demand for dollars by Argentines seeking to protect themselves against a possible devaluation placed stress on the banking system and caused a reduction in reserves. A number of banks subsequently collapsed, prompting banking regulatory and supervisory reforms discussed below in "Monetary System."

In 1996, the Argentine economy began to recover, with GDP increasing by 5.5%, primarily due to increased foreign and domestic investment and burgeoning consumer confidence. Although unemployment continued to be a problem during this year, the banking sector began to recuperate deposits. GDP grew 8.1% during 1997 as a result of continued foreign and domestic investment and an increase in personal consumption and domestic demand. GDP grew 3.9% during 1998, slowing from its previous pace due to a downturn in the manufacturing and automotive sectors during the second half of the year. This downturn was caused by the global economic crisis that started at the end of 1997 as a result of the Asian Crisis, in which various economies in Asia collapsed during the last quarter of 1997. This global economic crisis continued in 1998 with the Russian Crisis, in which Russia devalued the ruble and defaulted on its ruble-denominated debt.

Argentina's gross domestic product declined by 3.1% in 1999 as compared to 1998, due primarily to the January 1999 devaluation of the Brazilian *real*. This devaluation by Brazil, Argentina's largest trading partner, led to significantly decreased demand for Argentine goods in both Argentina and Brazil. Decreased demand had

particularly strong effects on Argentina's industrial production, which decreased by 6.4%, due largely to a downturn in the manufacturing and automotive sectors. Despite the recession, bank deposits increased slightly during 1999.

In recent months, improving economic conditions in Argentina and Brazil have led to increased demand for Argentine goods. During the first quarter of 2000, Argentine gross domestic product is estimated to have grown by 0.9% compared to the same period of 1999. In addition, during the first half of 2000, industrial production was 2.1% higher than in the first half of 1999. This improvements in industrial production was due to increased levels of activity in the automotive, fiber and aluminum sectors and, to a lesser extent, the steel, agrochemicals, industrial gas and paper sectors.

Labor

Unemployment reached 18.4% in 1995 as a result of the economic contraction Argentina suffered that year, but also as an unintended effect of privatizations and greater economic efficiency. In order to lower unemployment, the Government has launched public works programs and has sought to reform labor laws and lower corporate social security taxes in an effort to stimulate job creation. As a result of these efforts and economic growth in 1996 and 1997, unemployment declined from a high of 18.4% in May 1995 to 12.4% in October 1998. As a result of the subsequent slowdown in the economy and the increase in the participation rate, unemployment rose to 14.5% in May 1999. The unemployment rate remained at 14.5% in August 1999, fell to 13.8% in October 1999 and increased to 15.4% in May 2000. This latest increase is due to a relatively constant participation rate and a decrease in the number of jobs.

The Government believes the problem of unemployment is exacerbated by outdated labor laws that discourage employers from hiring new workers and has endeavored to modify those laws. On September 2, 1998, the Congress approved a labor reform package, which President Menem vetoed in part in response to opposition from the IMF and sectors of the business community. In December 1998, the Congress approved a tax reform package that seeks to promote employment, increases the tax base and eliminates the incentive to finance growth through the issuance of debt instead of equity. On May 11, 2000, the Congress approved a labor reform law proposed by the Alliance. These reforms are discussed in greater detail under the heading "Employment and Labor" below.

Inflation

Since the implementation of the convertibility plan, the annual inflation rate as measured by the Consumer Price Index, or CPI, has fallen sharply, declining from 1,343.9% in 1990 to -1.2% in 1999. As of July 30, 2000, the CPI had decreased 0.9% from levels recorded on July 30, 1999.

Privatization and Liberalization of the Economy

Since 1990, Argentina has removed nearly all barriers to foreign investment and has substantially completed an ambitious program of privatizations. Between 1990 and June 30, 2000, the Government privatized, in whole or in part, 75 public sector entities and other assets, including the telephone company, the national airline, roads, railways, ports, water and electrical utilities, media, steel companies, the national gas company, the national oil company and the national mortgage bank. As of June 30, 2000, aggregate proceeds from these privatizations (excluding concessions) amounted to U.S.\$15.7 billion in cash, and investors had tendered U.S.\$15.4 billion in principal amount of debt instruments in debt-for-equity exchanges.

The Government has also instituted structural reforms to increase public sector revenues and reduce expenditures. The Government has implemented computerized tracking of tax compliance and other programs to reduce tax evasion, which nonetheless remains a persistent problem in Argentina. Argentina has modified the tax system to be more efficient and to create incentives for investment. The Government transferred most of the operations of the social security system from the public sector to the private sector in 1994. The Government has also made an effort to streamline its operations through privatizations and efficiency measures instituted in certain remaining public sector entities.

As part of its efforts to streamline the public sector, since 1991 the Government has sought to reduce provincial government deficits by ceasing lending to provincial banks that finance provincial deficit spending and by

encouraging the privatization of provincial enterprises such as regional banks and utilities. A number of Argentina's provincial governments have used deficit spending in past years to support large-scale public sector employment. The credit shortage and economic downturn sparked by the Mexican Crisis exacerbated the budgetary problems of these provincial governments. In the face of these problems, the Government succeeded in privatizing 10 provincial banks in 1995 and 1996, and in persuading eleven provinces (including Buenos Aires) to merge their social security systems with the national system between 1994 and 1995.

Debt Management

Since the implementation of the convertibility plan, Argentina has re-established regular relations with creditors, gained access to global capital markets and actively managed its debt to improve maturity and yield profiles. In December 1992, Argentina and its commercial bank creditors signed a debt and debt service reduction package under the auspices of the 1992 Financing Plan, known as the Brady Plan. Since the Brady Plan, Argentina has worked with the IMF to establish and achieve economic goals for each year and to maintain various standby funding facilities. On March 10, 2000, the International Monetary Fund approved a three-year credit facility of approximately U.S.\$7.4 billion to replace a \$2.8 billion credit facility the IMF provided Argentina in 1998. The terms of the new credit facility require Argentina to meet certain targets with respect to levels of public indebtedness and the reduction of its fiscal deficit. As of June 30, 2000, Argentina had met all of these targets. Argentina has reserved this three-year credit facility for use in special or urgent circumstances and does not intend to draw down on this facility in the normal course of operations. In 1999, Argentina's public debt service obligations (total external interest payments and total external amortization payments) were equal to 5.2% of GDP and 52.5% of exports of goods and non-factor services.

Financial System

The Government has taken various measures to preserve the liquidity and stability of the Argentine financial system, in particular since 1995, when the banking system suffered a liquidity crisis precipitated by the Mexican Crisis. In December 1996, the Central Bank entered into standby credit facilities in an aggregate amount of up to U.S.\$6.1 billion (subsequently raised to U.S.\$6.9 billion). These standby credit facilities are in the form of securities repurchase agreements with 13 major financial institutions and are designed to provide liquidity in the event of a banking crisis. The Central Bank does not expect to draw down on the facilities, but believes that having them at its disposal sends a positive message to investors about the Government's ability to manage any future liquidity crisis in the banking system. The Government has also opened the financial system to foreign investment, which has resulted in the entry of many foreign banking institutions, increasing the capital base and stability of the system. The Central Bank has also improved its supervisory controls over the banking system by imposing minimum capital and liquidity requirements. Total deposits (in pesos and dollars) in the banking system and gross international reserves have steadily increased since 1995.

Revised Methodologies for Calculating Gross Domestic Product and Balance of Payments

During the first half of 1999, the Government undertook a comprehensive revision of its methodology for calculating GDP and balance of payments accounts in order to provide a more accurate measurement of the Argentine economy. The Republic revised its methodology with the assistance of the European Economic Community, the IMF, the United Nations, the Organization for Economic and Cooperative Development and the World Bank. This project was partially funded by the IADB. Set forth below is a brief explanation of the principal aspects of these methodological revisions.

Gross Domestic Product

On June 11, 1999, the Ministry of Economy published a report announcing the revision of its methodology for calculating GDP and containing corresponding statistics. Under the revised methodology, Argentina:

- uses 1993 instead of 1986 as a base year to calculate GDP to better reflect the new structure of relative prices that resulted from the process of market liberalization, economic deregulation and privatization,

- assigns revised weights to different sectors of the economy in the calculation of GDP to more accurately reflect their current relative importance and
- seeks to measure Argentina's "informal economy."

The use of 1993 as the base year eliminates distortions caused by the hyperinflation that existed in Argentina during the 1970s and, in particular, the 1980s. After Argentina instituted the convertibility plan in 1991, which pegged the Argentine peso to the dollar, inflation levels stabilized. The new weighting of economic sectors reflects the shift of the Argentine economy from an agricultural and manufacturing base towards a more service-oriented economy. Under the prior methodology, the production of services represented 54.7% of GDP in 1993, but under the new methodology, the production of services represented 64.2% of GDP in that year. The sectors of the economy that are given less weight under the revised methodology include manufacturing and agriculture. Through the new methodology, Argentina also seeks to address the statistical problem of underestimating economic activity as a result of undercounting by the government due to inadequate census, geographic and other statistical data and/or underreporting by businesses or individuals in order to avoid taxation. Argentina has sought to reconcile statistics from different sources in order to arrive at an estimate of the informal economy, which was formerly left uncounted.

Balance of Payments

In April 1999, the Ministry of Economy published a report announcing its revised methodology for calculating the Republic's balance of payments and containing statistics that closely conform to international statistical norms recommended by the IMF. Under the new methodology, Argentina is able to more accurately measure its current account by:

- expanding its analysis of transactions involving non-residents,
- incorporating estimates regarding business, technical and personal services and
- using new sources of information, including account balances of private sector businesses.

The new methodology also provides more precise information regarding Argentina's capital account by:

- expanding the coverage of the non-financial services sector to include investments by non-residents in Argentine businesses and
- improving estimates of bank deposits and investment portfolios.

History and Background

Until the 1930s, Argentina's economy relied mainly on international trade. In the two succeeding decades, world trade declined as a result of the Great Depression and World War II. The decline in world trade led to economic isolation and the consequent stagnation of the Argentine economy. The Government adopted policies that were designed to generate economic growth through import substitution and state-led capitalism. Beginning in the 1940s, the Government nationalized many basic industries and services, including petroleum, coal, steel, electricity, telecommunications, railroads and airlines. Government involvement in the financial sector was also sizable. Despite the fact that world economic conditions improved in the 1950s as a new era of worldwide prosperity began, the Argentine economy remained closed and experienced very low growth in comparison with other developing countries.

During the period from 1975 to 1990, Argentina experienced high inflation rates and balance of payments deficits. Large subsidies to state-owned enterprises and an inefficient tax collection system led to high, persistent public sector deficits that were financed largely through increases in the money supply and external financings. Inflation accelerated on several occasions, developing into hyperinflation in 1989 and 1990, with prices rising at an annual rate in excess of 1000%.

During the 1980s and in 1990, the Government instituted several economic plans to stabilize the economy and foster real growth. After achieving initial success, the economic plans failed primarily because the Government was unable to sustain reductions in the public deficit. The uncertainties generated by high inflation, frequent changes in Government policy and financial market instability adversely affected real growth.

Stabilization and Economic Reforms under the Menem Government

In mid-1989, the Menem Government inherited an economy encumbered by hyperinflation and in deep recession. Relations with external creditors were strained, interest payments on commercial bank debts had been in arrears since April 1988, IMF and World Bank programs had lapsed and payments to the World Bank and the IADB were frequently late. The objectives of the new Government were to stabilize prices, reduce the public debt and improve relations with external creditors.

The Government's initial stabilization efforts included a devaluation of the austral and the establishment of a fixed exchange rate, wage and price controls and a sharp increase in public utility rates. The stabilization effort quelled hyperinflation, reducing the monthly inflation rate to 7.2% on average from September to November 1989.

The Government's efforts to eradicate hyperinflation proved inadequate, however, and foreign exchange markets declined sharply in anticipation of a new bout of hyperinflation. The Government adopted a new set of stabilization measures in December 1989 that abandoned attempts to control wages, prices and the exchange rate and sought to restrain the public deficit—the principal cause of Argentina's chronic inflation. The new measures featured:

- tax reforms,
- a tighter rein on the expenditures of public enterprises,
- restrictions on lending activities of the public sector banks,
- personnel cuts and
- a reliance on cash income generated by privatizations to reduce the public sector deficit.

The Government also eliminated all restrictions on foreign exchange transactions and froze fixed-rate, short-term bank deposits so that holders of seven- to 30-day deposits were permitted to withdraw no more than the equivalent of approximately U.S.\$1,000 from their accounts. The balance on such accounts was made payable only in ten-year U.S. dollar-denominated Government bonds, known as Bonex 89. In addition, the Government provided for the compulsory exchange of certain bonds denominated in Argentine pesos for Bonex 89.

This stabilization effort temporarily succeeded in ending the period of hyperinflation. In late 1990, however, a deterioration in the finances of the social security system and of the provincial governments led to an expansion of credit to these entities by the Central Bank. The Central Bank loaned funds to the social security system to allow it to meet year-end payments and also funded provincial banks suffering deposit runs. In addition, provincial banks continued to lend to provincial governments to finance their deficits. This credit expansion led to a resurgence of price inflation and downward market pressure on the austral, culminating in a depreciation of the austral from 5,590 australes per dollar as of December 28, 1990 to 9,430 australes per dollar as of January 31, 1991. The Government responded by installing a new economic team, headed by Economy Minister Domingo Cavallo, which acted to reduce the public sector deficit by increasing public utility rates and taxes and by developing a new stabilization program.

The Convertibility Plan and the Menem Government's Economic Policy

The convertibility plan sought to address structural problems that had stunted development of the Argentine economy. Specifically, it aimed to reduce inflation and foster economic growth through tax reforms, privatizations and the opening of the economy to foreign investment and competition.

The convertibility plan is centered on two fundamental principles:

- (1) There is full international reserve backing for the monetary base at a fixed rate of one peso per U.S. dollar. The monetary base (consisting of currency in circulation and peso deposits of financial entities with the Central Bank) is not to exceed the Central Bank's gross international assets. Gross international assets include the Central Bank's holdings of:
 - gold,
 - foreign exchange (including short-term investments),
 - U.S. dollar-denominated Government securities (in a percentage not to exceed one third of the Central Bank's unrestricted reserves) and
 - net Asociación Latinoamericana de Integración ("ALADI") claims (except overdue claims),all freely available and valued at market prices. Under this arrangement, the peso is fully convertible into the U.S. dollar and the money supply can be increased only when backed by increases in the level of international reserves.
- (2) The prohibition of financing of fiscal deficits through Central Bank lending and fiscal control to contain expenditures and foster tax revenues.

The convertibility plan has resulted in the simplification of fiscal and market regulations and the allocation of many state activities to the private sector, resulting in a reduction of state expenditures, an increase in the amount of Government revenues and an encouragement of domestic private sector initiative and foreign investment.

The IMF supported the establishment of the convertibility plan and designed the financial program for the Argentine public sector. On July 30, 1996, Dr. Roque Fernández, who had been the President of the Central Bank since 1991, replaced Mr. Cavallo, the original architect of the convertibility plan, as Economy Minister. Mr. Fernández continued to implement the convertibility plan, as has his successor, José Luis Machinea, who took office in December 1999.

Deregulation of the Economy and Privatizations

Deregulation of the Economy

Pursuant to the convertibility plan, Argentina initiated an ambitious plan to deregulate the domestic economy. This plan included the liberalization of trade and the reform of investment regulations. In order to create a free market economy in Argentina, the Government has removed most economic restrictions and regulations of foreign investment and has promoted competition. Set forth below is a review of the primary deregulation initiatives undertaken by the Government since the adoption of the convertibility plan.

In 1991, the Government passed legislation that:

- deregulated the domestic market for goods, services and transportation,
- eliminated many restrictions on imports and exports,
- abolished or simplified a number of regulatory agencies and
- allowed free wage bargaining in the private sector in certain cases.

In the financial sector, the Government passed legislation that:

- eliminated regulation of brokerage fees,

- abolished all stamp taxes relating to publicly offered securities and
- abolished all capital gains taxes on stocks and bonds held by non-resident investors.

In 1993, the Government eliminated restrictions on foreign direct investment and abolished a three-year waiting period for capital repatriation. The abolishment of the three-year waiting period allowed foreign investors to remit profits at any time, thereby granting foreign investors the same rights as local investors. As a result of these reforms and increased confidence in the Argentine economy, foreign banks have made significant investments in Argentina's financial sector. As of June 2000, nine of the ten largest private sector banks in Argentina were either foreign-owned or -controlled.

Argentina has also sought to eliminate trade barriers, primarily through its involvement in Mercosur. See "The Republic of Argentina—Foreign Affairs and International Organizations." Mercosur's objective is to gradually integrate the economies of member countries and harmonize their economic and fiscal policies, including the fixing of a common external tariff and the adoption of a common trade policy with respect to non-Mercosur countries. With the exception of the automotive sector, which is subject to different treatment, tariff barriers between the Mercosur member countries were eliminated on January 1, 1995. Non-tariff restrictions on trade are in the process of being eliminated for most goods.

The Mercosur member countries have signed the following agreements:

- in June 1991, an agreement with the United States that established procedures for consultation on trade and investment issues,
- in December 1995, an agreement with the EU for the development of free trade between their respective member countries by 2005,
- in March 1998, an agreement with the Andean Pact, which consists of Bolivia, Ecuador, Colombia, Peru and Venezuela, to work towards establishing free trade between the member countries of Mercosur and the member countries of the Andean Pact by the year 2000 (negotiations to implement this agreement are ongoing),
- in April 1998, an agreement with the Central American Common Market, which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, to begin commercial negotiations and
- in June 1998, an agreement with Canada that establishes a framework for the negotiation of bilateral foreign investment agreements, cooperation in customs matters and identification of measures that distort or impede trade and investment, among other matters.

In May 1994, the Government reformed the social security system, allowing employees to invest their social security contributions in private pension funds. The reform of the social security system has limited the growth of government social security expenditures and has increased the national savings rate.

The Government has undertaken various measures to reform Argentina's labor laws, although it has encountered substantial public and political opposition to these measures. See "—Employment and Labor."

In addition to reforms in the social security system and the labor market, the Government has begun a comprehensive effort to liberalize the health system. In 1996, the Government began to restructure union-run health organizations in order to provide employees with more freedom to select health plans.

Privatizations

In 1989, the State Reform Law declared certain state enterprises eligible for privatization. Since then, the Government has privatized, in whole or in part, 75 public sector entities and other assets, including all airports, the national post office, the mint, Argentina's largest petrochemical plant and a number of hydroelectric plants. The privatization program has increased economic productivity and has served as an important conduit for direct foreign investment into Argentina, attracting investors from Asia, Europe, North America and Latin America. The privatization program has also decreased subsidies and transfers to public sector enterprises, which totaled U.S.\$827 million in 1992. As a result of the privatization program, subsidies to public sector enterprises were eliminated by 1998. Transfers amounted to U.S.\$54.8 million in 1998 and U.S.\$32.9 million in 1999. The Government has realized increased tax revenues from newly privatized entities. Finally, the privatization program was the primary reason for the reduction in public sector employment in the period from 1989 to 1994 of over 240,000 employees (excluding the defense sector), which resulted in substantial public sector savings. In 1998 (the last year for which figures are available), the public sector employed 464,700 people, as compared with approximately one million people in 1991.

The following table sets forth the principal privatizations that have taken place between 1990 and June 30, 2000.

<u>Company</u>	<u>Date</u>	<u>Cash</u>	<u>Retired Debt</u>
		<u>(millions of dollars)</u>	
Telecommunications (ENTel)			
—Telefónica	1990-1991	\$ 952.1	\$ 2,720.0
—Telecom	1990-1992	1,326.9	2,309.0
Airlines			
—Aerolíneas Argentinas S.A.....	Nov. 1990	190.1	1,313.8
Airports(1)	Feb. 1998	—	—
Petrochemicals			
—6 petrochemical companies.....	1990-1995	410.7	131.1
Carbochemicals			
—Carboquímica Argentina.....	Sept. 1993	0.3	0.8
Oil			
—YPF (assets sales) oil fields, refineries, oil pipelines and ships	1992-1994	272.7	—
—YPF (concession of central areas and marginal areas).....	1990-1994	1,806.8	—
—YPF (enterprise privatization).....	July 1993	3,040.0	3,201.2
—YPF (sale of 14.9% of common stock)	Jan. 1999	2,000.0	—
—YPF (sale of 5.3% of common stock).....	June 1999	842.0	—
Electric Utilities			
—SEGBA—7 companies	1992-1996	1,584.5	1,439.3
—Agua y Energía Eléctrica—7 companies	1992-1993	88.0	222.9
—Transportadoras de Energía Eléctrica—4 companies	1993-1994	36.0	318.9
—Hydroelectric Power—8 companies	1993-1995	621.9	578.9
—Centrales Térmicas—2 companies.....	1994	10.6	—
—Transener	July 2000	70.0	—
Postal office(1) (30-year operating concession)	Aug. 1997	—	—
Gas (Gas del Estado)			
—8 distribution and 2 transportation companies	1992-1998	1,552.4	3,116.2
Steel mills			
—2 steel mills	1992-1993	147.4	30.0
Railways			
—11 railway and subway lines(1)	1991-1994	—	—
Highways			
—Vialidad Nacional(1).....	Sept. 1990	—	—
—3 toll roads(1).....	Sept. 1993	—	—
Water Utility (Obras Sanitarias de la Nación)			

—1 water utility(1)	Dec. 1992	—	—
Grain Elevators and Port Facilities			
—6 grain elevator terminals(2) and 2 port facilities	1992-1993	9.7	—
Military and Naval Production			
—1 ship builder	Dec. 1991	59.8	—
—6 arms manufacturers.....	1993-1994	18.8	3.3
Media			
—2 television stations(1)	Jan. 1990	—	—
—28 radio stations(1)	Feb. 1991	—	—
Hotel			
—Hotel Llao-Llao.....	May 1991	3.2	13.0
Horse Racetrack			
—Hipodromo Argentino(1)	Sept. 1992	—	—
Real estate			
—1,081 properties	1991-1994	203.2	—
Foundry			
—Forja.....	Aug. 1991	1.7	—
Livestock market			
—Mercado de Hacienda de Liniers(1).....	June 1992	—	—
Ships			
—Buques ELMA	1994	14.8	—
Financial Entities			
—Caja Nacional de Ahorro y Seguro	April 1994	86.3	—
—Banco Hipotecario	Feb. 1999	307.5	—
Agriculture			
—CAP Cuatros	May 1994	1.9	—
Total.....		<u>\$15,659.3</u>	<u>\$15,398.4</u>

(1) Enterprises privatized through granting of concessions.

(2) Five grain elevators are under concession.

Sources: Ministry of Economy and Central Bank.

As of June 30, 2000, the Government retained share ownership in the following privatized companies.

<u>Enterprises</u>	<u>Percentage of Government Ownership</u>
Railways	
Ferropreso Pampeano S.A.	16.0%
Nuevo Central Argentino S.A.	16.0
Ferrosur Roca S.A.	16.0
Buenos Aires al Pacífico General San Martín S.A.	16.0
Ferrocarril Mesopotámico General Urquiza S.A.	16.0
Water and Electric Energy	
Central Térmica Guemes.....	30.0
Centrales Térmicas Patagónicas S.A.(1)	13.0
Central Dique S.A.	49.0
Hidroeléctrica Alicurá(1)	19.5
Hidroeléctrica Piedra del Aguila(1)	26.0
Centrales Térmicas Mendoza S.A.	6.2
Transnea S.A.	30.0
Transpa S.A. (1)	6.0
Hidroeléctrica Diamante S.A.(1).....	39.0
Aerolíneas Argentinas S.A.	5.0
YPF	0.1
Camuzzi Gas Pampeana S.A.....	20.0
Papel Prensa S.A.I.C.F. y de M.	27.5

Caja de Ahorro y Seguros S.A.	30.0
Banco Hipotecario	49.0%

(1) In addition to the percentage of federal Government ownership listed above, these companies are also owned in part by provincial governments.

Source: Ministry of Economy.

Although the Government privatized the majority of its state enterprises between 1989 and 1994, several significant privatizations have occurred within the past few years. On August 1, 1997, Argentina completed the privatization of the postal service through a competitive bidding process. The Government awarded a 30-year concession to a consortium that will pay approximately U.S.\$51.6 million every six months for the first 20 years of its operations and 1.0% of gross revenues for the remaining ten years. On January 23, 1998, the Government selected the winning bidder for a concession to operate the 33 main airports in Argentina for a period of 30 years in exchange for U.S.\$171 million in annual royalties. On February 27, 1998, the Government raised U.S.\$82.7 million from the sale of its remaining 20% stake in gas distributor Gas Natural BAN S.A. On February 2, 1999, the Government sold 49% of the common stock of Banco Hipotecario Nacional, the national mortgage bank. The proceeds of this privatization totaled U.S.\$307.5 million. On January 20, 1999 the Government sold a 14.99% stake in YPF, the national oil company, to Repsol S.A. for U.S.\$2.0 billion. On June 24, 1999, the Government sold an additional 5.3% stake in YPF to Repsol S.A. for U.S.\$842.0 million. Total proceeds from privatizations for 1999 were U.S.\$3.1 billion (excluding the sale of tax receivables). On July 28, 2000, the Government sold a 25% stake of Transener for U.S.\$ 70.0 million.

Gross Domestic Product

Between 1991 and 1999, Argentina's GDP increased 53.0%. GDP grew in each year between 1991 and 1994, driven by political and economic stability, consumer confidence and increased investment. In 1995, however, GDP contracted due to the effects of the Mexican Crisis. The Argentine economy began to recover in 1996 and grew every year until 1999. Argentina's GDP declined by 3.1% in 1999, due primarily to Brazil's economic difficulties and the January 1999 devaluation of the Brazilian *real*. The downturn in the Brazilian economy led to a reduction in Argentine exports and imports of capital goods and other goods and services. During 1999, the total supply of goods and services declined 4.0% compared with 1998, reflecting the decrease in Argentine economic activity as well as a 10.9% decrease in imports of goods and services, particularly capital goods. Demand declined during 1999 as well, reflecting a 7.5% decrease in gross investment and a 1.2% decrease in exports of goods and services. In recent months, however, improving economic conditions in Argentina and Brazil have led to increased demand for Argentine goods and services. During the first quarter of 2000, Argentine gross domestic product is estimated to have grown by 0.9% compared to the same period of 1999. See "The Argentine Economy—Introduction." During the first quarter of 2000, gross investment declined 3.0% as compared with the first quarter of 1999, due primarily to decreases in investment in construction and capital goods.

After the Mexican Crisis of 1995, gross investment as a percentage of GDP increased each year between 1996 and 1998 due to increased investor confidence in the Argentine economy. As a result of increased investment from 1995 to 1998, imports of goods and services as a percentage of GDP increased from 9.9% in 1995 to 13.4% in 1998, primarily due to increased demand for capital goods. In 1999, however, gross investment as a percentage of GDP declined from 21.1% in 1998 to 20.2% due to increased interest rates caused by the Russian financial crisis and decreased exports to Brazil as a result of that country's economic difficulties. In 1999, imports of goods and services as a percentage of GDP decreased to 12.3%, as demand for capital goods declined. During 1995 to 1999, exports of goods and services as a percentage of GDP increased from 9.5% to 10.9%, largely as a result of increased productivity due to increased investment from the years from 1995 to 1998.

Consumption as a percentage of GDP decreased from 82.0% in 1995 to 81.3% in 1999. During the years of GDP growth from 1995 to 1998, these decreases reflected increased spending on investment and increased savings instead of consumer goods. During 1999, the decrease in consumption as a percentage of GDP was due primarily to an increase in the savings rate, which was caused by the economic uncertainty produced by the recession.

The following tables set forth the major components of GDP and expenditures for the periods indicated.

Real GDP and Expenditures

	At Constant 1993 Prices				
	1995	1996	1997	1998(1)	1999(1)
	(millions of pesos except as noted)				
GDP	243,186	256,626	277,441	288,195	279,215
Add: Imports of goods and services.....	<u>24,026</u>	<u>28,205</u>	<u>35,709</u>	<u>38,691</u>	<u>34,466</u>
Total supply of goods and services	267,212	284,831	313,151	326,886	313,681
Less: Exports of goods and services.....	<u>23,219</u>	<u>25,019</u>	<u>28,018</u>	<u>30,834</u>	<u>30,476</u>
Total goods and services available for domestic expenditures.....	<u>243,993</u>	<u>259,812</u>	<u>285,133</u>	<u>296,052</u>	<u>283,205</u>
Allocation of total goods and services:					
Private consumption	155,259	165,279	179,748	201,476(2)	192,655(2)
Value added tax on private consumption.....	11,867	13,008	14,233		
Public consumption.....	32,339	33,041	34,104	33,737	34,256
Gross investment (public and private).....	<u>44,528</u>	<u>48,484</u>	<u>57,048</u>	<u>60,839</u>	<u>56,294</u>
Total domestic expenditures...	<u>243,993</u>	<u>259,812</u>	<u>285,133</u>	<u>296,052</u>	<u>283,205</u>
Real GDP growth (%).....	(2.8)%	5.5%	8.1%	3.9%	(3.1)%

(1) Preliminary figures.

(2) Includes value added tax.

Source: Ministry of Economy.

GDP Evolution at Current Prices

	Annual Average				
	1995	1996	1997	1998	1999
Pesos (millions)	258,032	272,150	292,859	298,131	283,133
U.S. dollars(1) (millions).....	258,032	272,150	292,859	298,131	283,133
Rate of exchange.....	1.000	1.000	1.000	1.000	1.000

(1) Converted at year end exchange rate.

Source: Ministry of Economy.

Composition of Real GDP and Expenditures

	At Constant 1993 Prices				
	1995	1996	1997	1998(1)	1999(1)
GDP	100.0%	100.0%	100.0%	100.0%	100.0%
Add: Imports of goods and services.....	9.9	11.0	12.9	13.4	12.3
Total supply of goods and services	109.9	111.0	112.9	113.4	112.3
Less: Exports of goods and services	<u>9.5</u>	<u>9.7</u>	<u>10.1</u>	<u>10.7</u>	<u>10.9</u>
Total goods and services available for domestic expenditures	<u>100.3%</u>	<u>101.2%</u>	<u>102.8%</u>	<u>102.7%</u>	<u>101.4%</u>
Allocation of total goods and services:					
Private consumption	63.8	64.4	64.8	69.9(2)	69.0(2)
Value added tax on private consumption.....	4.9	5.1	5.1	—	—
Public consumption.....	13.3	12.9	12.3	11.7	12.3
Gross investment (public and private)	<u>18.3</u>	<u>18.9</u>	<u>20.6</u>	<u>21.1</u>	<u>20.2</u>
Total domestic expenditures.....	<u>100.3%</u>	<u>101.2%</u>	<u>102.8%</u>	<u>102.7%</u>	<u>101.4%</u>

(1) Preliminary figures.

(2) Includes value added tax.

Source: Ministry of Economy.

Principal Sectors of the Economy

The following table sets forth the composition of Argentina's GDP by economic sector for the periods indicated.

	At Constant 1993 Prices				
	1995	1996	1997	1998(1)	1999(1)
	(millions of pesos)				
Agriculture, livestock, fisheries and forestry	13,791	13,632	13,695	15,103	15,082
Mining and extractives (including petroleum and gas).....	4,670	4,882	4,915	5,028	5,068
Manufacturing.....	41,850	44,550	48,627	49,425	45,451
Construction.....	12,441	13,492	15,729	16,863	16,158
Electricity, gas and water.....	5,476	5,698	6,164	6,556	6,785
Transportation, storage and communication.....	18,098	19,350	21,519	23,249	22,775
Commerce, hotels and restaurants	38,804	41,866	46,423	47,859	44,640
Financial services, insurance and real estate	47,119	50,001	53,659	57,565	58,160
Community, social and personal services(2).....	<u>46,571</u>	<u>47,640</u>	<u>49,586</u>	<u>50,516</u>	<u>51,193</u>
	228,820	241,111	260,317	272,164	265,312
Plus import duties less adjustment for banking service	<u>14,366</u>	<u>15,515</u>	<u>17,124</u>	<u>16,031</u>	<u>13,903</u>
Total GDP.....	<u>243,186</u>	<u>256,626</u>	<u>277,441</u>	<u>288,195</u>	<u>279,215</u>

(1) Preliminary figures.

(2) The community, social and personal services sector includes, among other items, public administration, defense, sanitation, education, medical services and entertainment.

Source: Ministry of Economy.

The following table sets forth the composition of Argentina's GDP by economic sector for the periods indicated.

Real GDP by Sector

	At Constant 1993 Prices				
	1995	1996	1997	1998(1)	1999(1)
	(percentage of GDP)				
Agriculture, livestock, fisheries and forestry.....	5.7%	5.3%	4.9%	5.2%	5.4%
Mining and extractives (including petroleum and gas).....	1.9	1.9	1.8	1.7	1.8
Manufacturing.....	17.2	17.4	17.5	17.1	16.3
Construction.....	5.1	5.3	5.7	5.9	5.8
Electricity, gas and water.....	2.3	2.2	2.2	2.3	2.4
Transportation, storage and communication.....	7.4	7.5	7.8	8.1	8.2
Commerce, hotels and restaurants	16.0	16.3	16.7	16.6	16.0
Financial services, insurance and real estate	19.4	19.5	19.3	20.0	20.8
Community, social and personal services(2).....	19.2	18.6	17.9	17.5	18.3
Plus import duties less adjustment for banking service	<u>5.9</u>	<u>6.0</u>	<u>6.2</u>	<u>5.6</u>	<u>5.0</u>
Total GDP.....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Preliminary figures.

(2) The community, social and personal services sector includes, among other items, public administration, defense, sanitation, education, medical services and entertainment.

Source: Ministry of Economy.

The following table sets forth the annual change in Argentina's real GDP by sector for the periods indicated.

Real GDP Growth by Sector

	At Constant 1993 Prices				
	1995	1996	1997	1998(1)	1999(1)
Agriculture, livestock, fisheries and forestry.....	5.6%	(1.2)%	0.5%	10.3%	(0.1)%
Mining and extractives (including petroleum and gas).....	16.4	4.5	0.7	2.3	0.8
Manufacturing.....	(7.2)	6.5	9.2	1.6	(8.0)
Construction.....	(12.2)	8.4	16.6	7.2	(4.2)
Electricity, gas and water.....	7.4	4.1	8.2	6.4	3.5
Transportation, storage and communication.....	1.7	6.9	11.2	8.0	(2.0)
Commerce, hotels and restaurants.....	(7.5)	7.9	10.9	3.1	(6.7)
Financial services, insurance and real estate.....	(0.9)	6.1	7.3	7.3	1.0
Community, social and personal services.....	0.6	2.3	4.0	1.9	1.3

(1) Preliminary figures.

Source: Ministry of Economy.

Agriculture, livestock, fisheries and forestry

Argentina has a well-diversified, mechanized agricultural sector that benefits from a favorable climate and some of the world's richest soils. The country is self-sufficient in virtually all agricultural goods and is a major exporter of grains, meat and oil products. The growth in the agriculture, livestock, fisheries and forestry sector averaged 3.1% during the period from 1995 to 1998 in part due to increased foreign investment in the agricultural sector during this period. However, in 1999 this sector decreased 0.1%, due to the recession in the Argentine economy and decreases in commodity prices. Manufactured goods of agricultural origin as a percentage of total exports decreased from 35.7% in 1995 to 35.1% in 1999, primarily due to an increase in exports of industrial products.

In order to stimulate growth in agricultural exports, Argentina has actively sought a reduction in agricultural protectionism in the major industrialized countries. Argentina is a member of the Cairns group of grain-exporting countries (which also includes Australia, Canada, Chile, New Zealand and Uruguay) that sought to reduce agricultural subsidies during the Uruguay Round GATT negotiations. At the conclusion of these negotiations in 1994, an agreement was reached to reduce domestic subsidies by 20% and export subsidies to agricultural producers by 36% over a six-year period. Argentina has entered into a series of preliminary bilateral arrangements with the EU which, subject to further approvals, would more than double Argentine quotas for exports of premium meats to the EU. In addition, in August 1997 the United States lifted a 68-year ban on imports of fresh beef from Argentina. On August 2, 2000, Argentina suspended exports of Argentine beef to the U.S. following detection of the hoof and mouth virus in a small group of cattle. The U.S. immediately banned imports of Argentine beef. It is not possible to predict when exports of beef to the U.S. will resume.

Since 1991, as the Argentine infrastructure improved and the economy was liberalized, large investors have purchased prime land to create modern, large-scale farming operations. Investors directed a significant amount of capital towards milling, transportation, storage facilities and irrigation systems. The combination of a free market and the increased cost for many farm products has led to an increase in Argentina's agricultural exports from U.S.\$4.8 billion in 1995 to U.S.\$6.6 billion in 1998. However, the recent decrease in prices as a result of the 1997-1999 global economic crisis caused Argentina's agricultural exports to decline to U.S.\$5.3 billion in 1999.

The forestry sector has also experienced significant growth. The Government has begun seeking additional investment in forestry by promoting the sector in such countries as the United States, Canada and Japan.

Mining and Extractives (Including Petroleum and Gas Production) Sector

The mining and extractives sector consists primarily of coal, petroleum and gas production. Argentina is the third largest oil and gas producer in Latin America after Venezuela and Mexico, and has significant gas reserves in relation to domestic consumption. Exports of fuel and energy accounted for 12.7% of Argentina's total exports in 1999. Several companies, including Yacimientos Petrolíferos Fiscales S.A., or YPF, are exploring oil fields in order to increase oil reserves and are planning to develop opportunities in the export markets. As part of this plan, YPF began operating an oil pipeline to Chile in February 1994. Proven recoverable petroleum reserves in Argentina increased from 358.1 million cubic meters in 1994 to 487.5 million cubic meters in 1999, primarily as a result of the acquisition of technology to improve the recoverability of petroleum reserves.

The mining and extractives sector grew 0.8% in 1999, primarily due to increased petroleum prices in the last quarter of 1999.

Historically, mineral mining in Argentina had been minimal due to economic instability and an unfavorable tax regime. In order to increase Argentina's development in mining, the Government reduced taxes for the development of mining operations, guaranteed fixed taxes for a 30-year period and instituted accelerated depreciation on mining equipment. These reforms, instituted in 1993, have resulted in foreign investments of more than U.S.\$2.0 billion in mineral mining projects. Current mineral mining projects include Alumbreira (copper and gold), Pachón (copper and molybdenum), Cerro Vanguardia (gold and silver), Río Colorado (potassium) and El Salar de Hombre Muerto (lithium).

The following table shows the established reserves of petroleum and natural gas in Argentina as of the dates indicated.

	Proven Reserves				
	1995	1996	1997	1998	1999
Petroleum(1)	379,402	413,436	416,734	437,758	487,492
Natural gas(2)	619,295	685,586	683,796	686,584	729,214

(1) In thousands of cubic meters.

(2) In millions of cubic meters.

Source: Secretariat of Energy.

Manufacturing

The manufacturing sector as a percentage of GDP remained at a level of approximately 17% to 18% throughout the period from 1995 to 1998 but fell to 16.3% of GDP in 1999 due to the recession. The manufacturing sector experienced growth each year during this period, except in 1995, when it contracted 7.2% as a result of the Mexican Crisis, and in 1999, when it contracted 8.0% due to the Asian and Russian Crises. This sector experienced a 6.5% growth rate in 1996 and a 9.2% growth rate in 1997, primarily due to growth of the non-metal minerals, machinery and equipment, and basic metal subsectors. The manufacturing sector experienced a 1.6% growth rate in 1998, primarily due to a 5.5% increase in the food, beverages and tobacco subsector and a 9.8% increase in the chemistry, plastics, coal and oil derivatives subsector. These increases were offset by a 6.7% decrease in the textiles and clothing subsector and a 6.5% decrease in the metal production subsector.

The largest components of the Argentine manufacturing sector are: (i) food and beverages, (ii) chemicals, plastics, coal and oil derivatives and (iii) machinery and equipment. Of these three sectors, machinery and equipment experienced the greatest impact of the Mexican Crisis, decreasing by 17.0% in 1995 as a result of decreased investment and reduced consumer demand.

Construction

A reduction in bank lending during 1995 led to a sharp decline in the construction sector in 1995. Construction rebounded by 8.4% during 1996, reflecting the economic recovery from the Mexican Crisis, and increased in 1997 by 16.6% due to the resumption of lending by private sector banks to finance residential purchases and continued improvement in the Argentine economy. The construction sector expanded by 7.2% in 1998 due to increased demand despite decreased lending by banks and economic uncertainty as a result of the global economic crisis. In 1999, the construction sector contracted 4.2%, as higher interest rates and economic uncertainty resulted in less construction of new buildings.

Electricity, Gas and Water

Electricity in Argentina is produced primarily from hydroelectric sources, gas, coal and nuclear plants. Argentina is a net exporter of energy. A combination of the developing cohesion among the Mercosur countries and foreign investment in oil, gas and electricity through privatizations has contributed to the steady growth in this sector from 1995 to 1999. The electricity, gas and water sector grew 3.5% in 1999, primarily as a result of increased demand.

Services

The services sector accounted for 63.3% of GDP in 1999. The following table shows the composition of the services sector for the periods indicated.

	1995	1996	1997	1998(1)	1999(1)
	(percentage of total)				
Transportation, storage and communication.....	12.0%	12.2%	12.6%	13.0%	12.9%
Commerce, hotels and restaurants	25.8	26.4	27.1	26.7	25.3
Financial services, insurance and real estate	31.3	31.5	31.3	32.1	32.9
Community, social and personal services.....	<u>30.9</u>	<u>30.0</u>	<u>29.0</u>	<u>28.2</u>	<u>29.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Preliminary figures.

Source: Ministry of Economy.

After a downturn in 1995, the services sector grew each year between 1996 and 1998 but decreased 1.4% in 1999. The financial services, insurance and real estate subsector grew 1.0% in 1999, as the continued liberalization of Argentine financial markets and an increased range of services offered by the financial sector. The transportation, storage and communications subsector decreased 2.0%, due to decreased demand. The commerce, hotels and restaurants subsector grew 6.7% in 1999, as a result of decreased demand. The community, social and personal services subsector has experienced less growth than the other services subsectors over the past three years because a significant portion of such services is provided by the Government, which has attempted to limit expenditure growth. However, in 1999, this sector grew 1.3%.

Employment and Labor

In 1999, approximately 63% of the Argentine labor force was employed in the services sector and 37% was involved in the production of goods. Approximately 18.4% of the labor force was employed in manufacturing,

13.7% in the public sector, 12.9% in commerce, 11.2% in social services, health and education, 6.9% in construction and 6.5% in agriculture.

The following table shows labor force, employment participation, unemployment and underemployment rates for the periods indicated.

Participation and Unemployment Rates

	As of May 31,					
	1995	1996	1997	1998	1999	2000
(in thousands, unless otherwise indicated)						
Greater Buenos Aires						
Labor force	5,177	4,963	5,193	5,322	5,501	5,409
Employment(1)	4,131	4,069	4,310	4,577	4,643	4,544
Participation rate(2).....	45.9%	43.5%	45.0%	45.6%	46.6%	45.3%
Unemployment rate(3)	20.2%	18.0%	17.0%	14.0%	15.6%	16.0%
Underemployment rate(4)	10.7%	12.6%	12.7%	13.2%	13.9%	15.0%
Major interior cities(5)						
Labor force	3,388	3,439	3,547	3,667	3,733	3,870
Employment(1)	2,866	2,906	3,029	3,238	3,266	3,312
Participation rate(2).....	38.1%	38.0%	38.6%	38.8%	38.5%	39.0%
Unemployment rate(3)	15.4%	15.9%	14.9%	12.0%	12.9%	14.5%
Underemployment rate(4)	12.4%	12.6%	13.8%	13.5%	13.4%	13.6%
Total						
Participation rate(2).....	42.6%	41.0%	42.1%	42.4%	42.8%	42.4%
Unemployment rate(3)	18.4%	17.1%	16.1%	13.2%	14.5%	15.4%
Underemployment rate(4)	11.3%	12.6%	13.2%	13.3%	13.7%	14.5%

(1) To be considered employed, a person must have worked at least one hour with remuneration or fifteen hours without remuneration during the preceding week.

(2) Labor force as a percentage of the total population.

(3) Unemployed population as a percentage of the labor force.

(4) Underemployed population as a percentage of the labor force. Workers are defined as underemployed if they work fewer than 35 hours per week.

(5) Figures for 1995 are based on 24 major interior cities. Figures for 1996 to 2000 are based on 27 major interior cities.

Sources: INDEC and Ministry of Economy.

In the five year period between 1995 and 1999, unemployment was a persistent and significant problem for the Argentine economy. Unemployment increased significantly in 1995, due primarily to the slowdown of the Argentine economy resulting from the Mexican Crisis. As a result of improved economic conditions and the various labor reforms described below, unemployment has declined from a high of 18.4% in May 1995 to 15.4% in May 2000. The factors primarily responsible for unemployment during this period include:

- labor laws the Government believes discourage employers from hiring new employees,
- an increase in overtime rather than hiring of additional employees and increased participation in the labor market,
- a shift from labor intensive to capital intensive production and
- a decrease in certain Argentine production due to competition from imports.

In an effort to reduce unemployment, the Government has undertaken various legislative measures to provide for greater flexibility in the terms of labor contracts since 1995. Prior to these reforms, labor laws required that most workers be hired under employment contracts of indefinite duration and be entitled to generous severance payments which vested as soon as employment commenced. This policy discouraged employers from hiring new employees in times of economic uncertainty. The new labor laws were intended to alleviate this problem by introducing a variety of short-term contracts allowing temporary, part-time or "at will" employment in certain circumstances and providing partial or total exemptions from the required retirement contributions. Under current legislation, the role of unions has diminished. However, in most cases, employers are still required to make contributions to the union health care system, the foundation of organized labor's financial power.

In addition to labor reforms, the Government has taken a number of other measures to combat unemployment and stimulate hiring, including:

- during 1995, the passage of legislation providing: (i) mechanisms aimed at reducing labor-related accidents and (ii) private insurance schemes for accident-related compensation in order to reduce labor costs to employers and encourage hiring,
- in 1997, a series of "community projects" to provide temporary employment opportunities but only at low wages and
- in 1998, a plan called "Pro-Jobs," designed to stimulate private sector employment aimed at heads of households aged 38 years or older. The program provides a Government subsidy of U.S.\$100 above the employee's monthly salary and exempts the employer from paying social security taxes.

In December 1996, the Government issued decrees aimed at decentralizing the collective bargaining process in order to encourage employers to hire more workers. The government decrees provided that if parties to a collective bargaining process are unable to reach a new agreement, the expiring collective bargaining agreement will become invalid and the Ministry of Labor will mediate the dispute. A general strike was held on December 26, 1996 to protest the decrees, and constitutional challenges to the decrees were raised in the courts by two political parties, UCR and Frepaso, and by the Federation of Labor Unions (*Confederación General del Trabajo* or the "CGT"). In each case, the courts declared the decrees unconstitutional.

On September 2, 1998, the Congress approved a labor reform package, which President Menem vetoed in part. The labor reform package that was passed includes:

- legislation that regulates work contracts for apprentices and interns, limits trial basis employment contracts to thirty days and guarantees trial basis employees the right to receive certain benefits,
- legislation that, in certain cases, shortens the required notification period for employee termination to a minimum of 15 days and adopts a new formula for calculating termination compensation,
- legislation that designates the Ministry of Labor as the mediator and arbiter in the re-negotiation of certain collective bargaining agreements and prevents those collective bargaining agreements from being automatically renewed if the parties cannot agree and
- legislation that requires principals to obtain from their contractors and subcontractors verification of, among other matters, social security payments and employee coverage for work-associated risks for each employee performing services for the principal.

In December 1998, the Congress approved a tax reform package designed to promote employment, increase the tax base and that creates an incentive for companies to finance growth through the issuance of equity instead of debt by taxing interest payments on debt. The tax reform package:

- extends the value-added tax to a number of activities previously exempted, such as advertising and cable television subscriptions,

- increases excise taxes,
- increases corporate and personal taxes from 33% to 35%,
- ends the deductibility of interest payments from income taxes and
- reduces the social security taxes paid by companies from 22% to 15.5% to offset the above tax increases.

On May 11, 2000, Congress approved a labor reform law proposed by the Alliance. The principal aspects of this law include:

- extending the trial period for newly-hired workers,
- ending the automatic renewal of collective labor agreements when employees and employers cannot agree on the terms of a new collective agreement,
- decentralizing negotiations of collective agreements in order to allow collective bargaining at the company level and
- reducing certain taxes on labor over four years.

The law also prohibits employers from decreasing basic wages and salaries during a transition period of two years and allows local labor unions to invite national labor organizations to participate in local labor negotiations. Because many of these reforms will be phased in over time and because the recent recession in Argentina has affected the unemployment rate, it is impossible to determine what effect these labor reforms have had on the unemployment rate.

A number of strikes occurred in Argentina in 1997, 1998 and 1999 to protest high unemployment and labor reform legislation. On June 9, 2000, a one-day general strike occurred to protest the economic and social policies of the Government. The Government does not believe these strikes have materially affected or will materially affect its ability to implement its policies or will materially affect the Argentine economy.

Poverty

Although there is an absence of national statistics with regard to poverty, it is estimated that at least 20% of Argentina's population lives in poverty. In certain provinces, the poverty rate is estimated at over 25%. Between May 1995 and October 1996, poverty rates in the greater Buenos Aires area rose due to increased unemployment. Poverty rates in the greater Buenos Aires area declined in May 1997, primarily as a result of decreased unemployment and general economic growth in Argentina. Between May 1997 and October 1998, the poverty rate in the greater Buenos Aires area remained relatively stable. During 1999, the poverty rate in the greater Buenos Aires area decreased slightly.

The measurement of poverty is based on a basket of goods and services (consisting primarily of food, clothing, transportation, health care, housing and education), which is considered the minimum necessary to sustain an individual. The basket is valued at market prices, and the resulting threshold is called the poverty line.

The following table sets forth the percentage of households and of the population in the greater Buenos Aires area with annual incomes below the poverty line for the periods indicated.

Poverty in the Greater Buenos Aires Area

	Total Greater Buenos Aires Area	
	Households(1)	Population
May 1995	16.3	22.2
October 1995	18.2	24.8
April 1996	19.6	26.7
October 1996	20.1	27.9
May 1997	18.8	26.3
October 1997	19.0	26.0
May 1998	17.7	24.3
October 1998	18.2	25.9
May 1999	19.1	27.1
October 1999	18.9	26.7
May 2000	21.1%	29.7%

(1) Adjusted poverty line factor (adult equivalent of household).

Source: INDEC.

The Government has undertaken various measures to address unemployment, which is a principal cause of poverty in Argentina. See “—Employment and Labor.” Although these measures provide additional employment opportunities, the new jobs offered are often part-time, at low pay and without health and other benefits. Accordingly, the percentage of the working poor has increased.

Environment

During the Menem administration, Argentina initiated various measures to regulate, monitor and improve environmental standards. Until recently, environmental protection legislation existed primarily at the provincial level even though the federal Government and the provincial governments have concurrent power over environmental matters. In 1991, a Secretariat of the Environment was established pursuant to a presidential decree that called for a balancing of economic development with the conservation of natural resources, the improvement of the environment and the prevention and mitigation of the effects of pollution. The new Constitution implemented in 1994:

- grants all residents of Argentina the right to a healthy environment,
- requires that priority be given to repairing damage to the environment in accordance with applicable law,
- prohibits actually or potentially toxic or radioactive waste from being brought into national territories and
- requires the Government to establish minimum standards of environmental protection to be implemented by the provinces. (As of June 30, 2000, the Government had not established these standards, but was actively working towards doing so.)

Among the significant environmental issues facing Argentina are the regulation and remediation of water and air pollution and the disposal of hazardous wastes. The Government has undertaken programs to improve drinking water and sewer services. A particular area of concern is the pollution of the Río de la Plata and other smaller rivers in the Buenos Aires area that flow into it. Also of particular concern is the pollution of rivers in other regions of Argentina, including the Matanza and Reconquista rivers. Industrial air emissions, primarily in the highly populated Buenos Aires area and other urban centers, have also become the focus of remediation efforts. In addition, development of the forestry industry, particularly in the Yacyretá region along the Argentina-Paraguay border, has raised concerns about the effects of deforestation (including ecological and flood management issues).

The Government has not yet determined the remediation costs relating to water and air pollution as well as to flooding along the Yacyretá region, but such costs may be material. The Government has arranged funding from international and multilateral organizations, including the IFC and the Fondo para las Americas (Fund for the Americas) in order to further environmental programs.

Local, provincial and national authorities are moving toward more stringent enforcement of environmental laws. The Government has adopted regulations that require certain industrial companies to meet more stringent environmental standards. These regulations are comparable in many respects to those in effect in the United States and in countries within the European Union. The regulations establish the general framework for environmental protection requirements, including the establishment of fines and criminal penalties for violation. However, the Government is only in the initial stages of formulating the additional regulations necessary to implement this environmental legislation. The Government has also established a national registry of producers and handlers of hazardous wastes and requires registered entities to pay annual fees based on their earnings and the volume of hazardous waste they handle.

As a condition to privatizing state entities, the Government has required purchasers to comply with certain environmental standards. The Government has generally retained ultimate responsibility for pre-privatization environmental costs. The Government does not expect that its environmental costs relating to privatized companies will be material.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Balance of Payments

In April 1999, the Ministry of Economy published a report that:

- announced the revision of its methodology for calculating the balance of payments and
- contained statistics that provide a more accurate reflection of Argentina's balance of payments and more closely conform to international statistical norms recommended by the IMF.

Under the revised methodology, the Republic uses additional sources of information and improved methods of estimation to more accurately reflect its current account and capital account balances. See "The Argentine Economy—Revised Methodologies for Calculating Gross Domestic Product and Balance of Payments—Balance of Payments."

Argentina's balance of payments registered a deficit in 1995 as a result of the Mexican Crisis, but registered a surplus each year between 1996 and 1999. The favorable balance of payments in recent years is attributable to increased capital inflows to Argentina recorded under the capital account, principally as a result of foreign investment. The surplus in the capital account has offset current account deficits attributable primarily to negative trade balances, financial services deficits and non-financial services deficits.

The following table sets forth data on Argentina's balance of payments.

Balance of Payments (1)

	As of December 31,					As of
	1995	1996	1997	1998	1999(2)	March 31, 2000(2)
(millions of dollars unless otherwise indicated)						
Current Account						
Exports	\$ 21,161	\$ 24,043	\$ 26,431	\$ 26,434	\$ 23,333	\$ 5,685
Imports	18,804	22,283	28,554	29,448	24,116	5,526
Trade balance	2,357	1,760	(2,123)	(3,014)	(783)	159
Non-financial services	(3,326)	(3,366)	(4,178)	(4,386)	(4,095)	(1,414)
Interest and dividends	(4,482)	(5,278)	(6,171)	(7,687)	(7,922)	(2,065)
Transfers	513	416	436	389	(507)	105
Total	(4,938)	(6,468)	(12,036)	(14,698)	(12,293)	(3,215)
Capital Account(3)						
Central Bank(4)	1,922	1,003	(586)	(512)	(1,033)	(338)
Other financial entities(5)	2,525	(1,048)	(870)	3,810	2,308	(1,815)
Non-financial public sector(6)	5,717	8,880	7,932	9,260	10,903	3,995
Non-financial private sector(7)	(3,646)	3,163	10,114	5,642	1,774	817
	6,518	11,998	16,590	18,200	13,952	2,662
Errors and omissions	(1,682)	(1,648)	(1,281)	(64)	(458)	128
Change in gross international reserves(8)	\$ (102)	\$ 3,882	\$ 3,273	\$ 3,438	\$ 1,201	\$ (425)

- (1) With respect to the current account balance, both imports and exports are calculated on a free on board ("FOB") basis and the non-financial services account includes import freight and insurance fees paid to non-residents.
- (2) Preliminary figures.
- (3) Unless otherwise indicated, all capital account amounts in this annual report include errors and omissions.
- (4) Includes transactions between the Central Bank and foreign entities such as the IADB, the IMF and other foreign creditors.
- (5) Net assets or liabilities of financial entities (other than the Central Bank) with respect to foreign creditors.
- (6) Includes operations of the national government, provincial governments, municipal governments and decentralized governmental organizations with respect to foreign entities in the form of bonds, loans from international organizations, operations with the Paris Club and privatizations of State entities.
- (7) Includes operations of the private sector with respect to the issuance of bonds, loans from international organizations or banks, foreign direct investment (inflows) and payments on dollar-denominated bonds to Argentina residents (outflows).
- (8) Does not include the value of bonds issued by the Government and held as reserves by the Central Bank.

Source: Ministry of Economy.

Current Account

The current account consists of:

- the trade balance,
- non-financial services (principally transportation, tourism and royalties),
- net payments of interest and dividends (which are called "financial services" in this report) and
- transfers (principally pension payments by foreign governments to residents of Argentina who have immigrated from abroad).

Argentina has not achieved a current account surplus since 1990. From 1991 to 1994, current account deficits were primarily the product of trade deficits attributable to several factors, including the implementation of trade liberalization measures and the relatively significant economic growth between 1991 and 1994 that led to increased demand for imported consumer and capital goods. Although trade deficits have contributed to the Republic's current account deficits since 1994 (most notably those recorded in 1997 and 1998), financial services deficits produced by the Government's need to service public debt have played an increasingly important role. In 1995, the current account deficit decreased by 54.9% to U.S.\$4.9 billion, due largely to a trade surplus of U.S.\$2.4 billion. However, the trade surplus was offset by a financial services deficit of U.S.\$4.4 billion and a non-financial services debt of U.S.\$3.3 billion. The current account deficit increased to U.S.\$6.5 billion in 1996, due principally to a 17.8% increase in the financial services deficit to U.S.\$5.3 billion and the deterioration of the trade balance as a result of an increase in imports during the economic recovery following the Mexican Crisis of 1995. In 1997, the current account deficit increased to U.S.\$12.0 billion due to a 17.0% increase in the financial services deficit to U.S.\$6.2 billion, a 24.1% increase in the non-financial services deficit to U.S.\$4.2 billion and a U.S.\$2.1 billion trade deficit produced by an increase in imports coupled with a more modest increase in exports. Exports increased only modestly that year due to a decline in prices of exported Argentine products and decreased demand. In 1998, the current account deficit increased to U.S.\$14.7 billion due primarily to 24.5% increase in the financial services deficit to U.S.\$7.7 billion and an increased trade deficit caused by the deterioration of prices for certain important Argentine exports such as wheat, soy and oil, as well as decreased demand from Brazil. During 1999, Argentina's current account deficit decreased 14.4% to U.S.\$12.3 billion, primarily as a result of a 26.0% decrease in the trade deficit. The decreased trade deficit was caused primarily by decreased demand for imports, which was in turn caused by with the recession in Argentina.

During the first quarter of 2000, Argentina had a current account deficit of U.S.\$3.2 billion, 8.0% lower than the current account deficit during the same period of 1999 because of increased volumes and prices of exports, particularly industrial exports.

Capital Account

The capital account measures inflows and outflows of financial assets such as bonds, equity shares and loans.

In 1995, Argentina recorded a relatively small capital account surplus of U.S.\$6.5 billion, attributable to the large outflow of capital caused by the Mexican Crisis. In 1996, the capital account surplus increased to U.S.\$12.0 billion due to an increase in foreign direct investment and other capital inflows as international investors regained confidence in the Argentine economy. In 1997, the capital account surplus increased to U.S.\$16.6 billion primarily because of increased foreign direct investment in Argentina and the issuance of long-term bonds by several Argentine companies. Argentina recorded a capital account surplus of U.S.\$17.8 billion in 1998, due to the issuance of public and private bonds, foreign direct investment and the disbursement, in the fourth quarter of 1998, of IADB and World Bank loans to the Government. In 1999, Argentina's capital account surplus decreased 24.2% to U.S.\$13.5 billion due to the private sector's reluctance to incur new debt during the recession. During the first quarter of 2000, Argentina had a capital account surplus (including errors and omissions) of U.S.\$2.8 billion, 12.3% higher than the capital account surplus during the first quarter of 1999, due to the Government's issuance of debt.

Foreign Trade

Argentina's foreign trade is dominated by the export of primary products and agricultural goods (including processed agricultural products) and the import of intermediate and capital goods, such as machinery and equipment, chemicals, vehicles and other transport products. Total exports from Argentina increased 24.9% between 1995 and 1998, from U.S.\$21.2 billion in 1995 to U.S.\$26.4 billion in 1998. Imports to Argentina on a CIF basis increased approximately 57.3% from 1995 to 1998, from U.S.\$20.0 billion in 1995 to U.S.\$31.4 billion in 1998. The increases from 1995 to 1998 are primarily due to improved economic conditions in Argentina and liberalized trading policies. Total exports (measured on an FOB basis) fell in 1999 by 11.8% to U.S.\$23.3 billion due to decreased demand, particularly from Brazil as a result of the downturn of its economy and the increase in the cost of Argentine products caused by the devaluation of the Brazilian *real*. Total imports (measured on a CIF basis) in 1999 fell by 18.7% to U.S.\$25.5 billion due to decreased demand in Argentina, particularly for capital goods. The decrease in exports in 1999 is due to the contraction of the Brazilian economy and the decrease of commodity prices. The decrease in imports in 1999 is attributable to the recession in Argentina. During 1999, exports to Mercosur

countries (30.2% of Argentina's total exports in that year) fell by 25.2%, primarily due to decreased exports to Brazil, and imports from Mercosur countries (24.6% of Argentina's total imports in that year) fell by 20.6% as compared to 1998, primarily due to recessionary conditions in Argentina.

During the first four months of 2000, exports increased by 13.0% as compared to the same period of 1999, to U.S.\$8.0 billion (measured on an FOB basis), due to the recovery in the Argentine economy, particularly the oil and gas and industrial production sectors. Total imports during the first four months of 2000 remained flat as compared to the same period of 1999, at a level of U.S.\$7.8 billion (measured on a CIF basis). During the same period, exports to Mercosur countries increased by 20.8% to U.S.\$2.5 billion (measured on an FOB basis) due to increased demand as a result of improving economic conditions in Brazil, and imports from Mercosur countries increased by 9.9% to U.S.\$2.1 billion (measured on a CIF basis) due to the recovery in the Argentine economy, in each case as compared to the same period of 1999.

The Government reduced import tariffs and eliminated most non-tariff barriers in early 1991. In 1992 and 1993, the Government further reduced import tariffs to an average of 15% on manufactured goods (20% on automobiles) and 10% on intermediate goods, with minor exceptions. As a result, Argentina's average tariff rate applicable to non-Mercosur countries was reduced from 18% to 10%. Export taxes, which had averaged 11%, were (with certain exceptions) eliminated in 1991. In response to the Mexican Crisis in 1995, however, the Government imposed an increase in import tariffs from non-Mercosur countries, including a 3% import surcharge (excluding capital goods, data processing and telecommunications equipment and fuels) and a 10% tariff on imports of capital goods, data processing equipment and telecommunications equipment. In August 1996, the tariff on imports of capital goods, data processing equipment and telecommunications equipment was increased from 10% to 14%. In January 1998, the 3% import surcharge was reduced to 0.5% but general import tariff rates were increased by three percentage points.

Beginning on January 1, 1995, most tariff barriers between the Mercosur nations were eliminated, and non-tariff restrictions on trade are in the process of being eliminated for most goods.

The following tables set forth the composition of Argentina's major exports and imports for the periods indicated.

Exports by Groups of Products(1)

	1995		1996		1997		1998		1999(2)	
	(millions of dollars and percentage of total exports)									
Primary products										
Cereal.....	\$ 1,863	8.8%	\$ 2,560	10.8%	\$ 3,007	11.4%	\$ 3,042	11.5%	\$ 2,063	8.8%
Seeds and oilseeds.....	885	4.2	964	4.0	339	1.3	1,052	4.0	870	3.7
Fish.....	498	2.4	609	2.6	614	2.3	526	2.0	505	2.2
Fruits.....	417	2.0	476	2.0	505	1.9	492	1.9	459	2.0
Vegetables.....	268	1.3	271	1.1	352	1.3	461	1.7	270	1.2
Tobacco.....	101	0.5	146	0.6	187	0.7	130	0.5	166	0.7
Honey.....	71	0.3	91	0.4	108	0.4	89	0.3	96	0.4
Wool.....	86	0.4	65	0.3	61	0.2	40	0.2	39	0.2
Other.....	628	3.0	637	2.7	533	2.0	771	2.9	723	3.1
	4,817	22.8	5,819	24.4	5,705	21.6	6,603	25.0	5,189	22.2
Manufactured goods of agricultural origin										
Residues.....	1,254	5.9	2,367	9.8	2,404	9.1	2,006	7.6	2,049	8.8
Oils and fats.....	2,097	9.9	1,891	7.9	2,225	8.4	2,734	10.3	2,332	10.0
Meat.....	1,229	5.8	1,074	4.5	1,025	3.9	830	3.1	829	3.6
Hides and skins.....	937	4.4	889	3.7	980	3.7	812	3.1	779	3.3
Vegetable and fruit products.....	321	1.5	400	1.7	392	1.5	319	1.2	340	1.5
Processed fish.....	416	2.0	395	1.6	416	1.6	386	1.5	297	1.3
Processed wool.....	116	0.5	121	0.5	116	0.4	70	0.3	70	0.3
Other.....	1,158	5.5	1,357	5.6	1,547	5.9	1,605	6.1	1,486	6.4
	7,474	35.8	8,493	35.4	9,104	34.4	8,761	33.1	8,182	35.1
Manufactured goods of industrial origin										
Basic metals.....	1,214	5.7	1,190	5.0	1,331	5.0	1,234	4.7	1,077	4.6
Chemicals.....	973	4.6	980	4.1	1,176	4.4	1,369	5.2	1,368	5.9
Machinery and equipment.....	983	4.6	962	4.0	1,230	4.7	1,109	4.2	1,052	4.5
Transport equipment.....	1,308	6.2	1,642	6.9	2,786	10.5	3,102	11.7	1,751	7.5
Plastics.....	341	1.6	340	1.4	349	1.3	380	1.4	369	1.6
Textiles.....	384	1.8	304	1.3	335	1.3	320	1.2	278	1.2
Footwear.....	102	0.5	73	0.3	105	0.4	68	0.3	36	0.2
Other.....	1,200	5.7	975	4.1	1,023	3.9	1,042	3.9	1,021	4.4
	6,504	30.9	6,466	27.1	8,335	31.5	8,625	32.6	6,952	29.8
Fuel and energy	2,169	10.3	3,089	13.0	3,287	12.4	2,451	9.3	3,010	12.9
Total(3)	<u>\$21,162</u>	<u>100.0%</u>	<u>\$23,815</u>	<u>100.0%</u>	<u>\$26,430</u>	<u>100.0%</u>	<u>\$26,441</u>	<u>100.0%</u>	<u>\$23,333</u>	<u>100.0%</u>

(1) Measured on an FOB basis.

(2) Preliminary figures.

(3) Total results may differ from those presented in the "Balance of Payments" table in this report due to differences in methodology used by each of the Ministry of Economy and INDEC in preparing the information presented in each table.

Source: INDEC.

Imports by Groups of Products(1)

	1995		1996		1997		1998		1999(2)	
	(millions of dollars and percentage of total imports)									
Machinery and equipment	\$ 6,449	32.3%	\$ 7,552	31.8%	\$ 9,953	32.7%	\$10,243	32.6%	\$ 8,135	31.9%
Vehicles and transport products	2,484	12.4	3,435	14.5	4,954	16.3	5,540	17.6	3,796	14.9
Chemicals	3,027	15.2	3,729	15.7	4,033	13.2	4,131	13.2	3,916	15.4
Metals	1,348	6.7	1,461	6.1	2,071	6.8	2,016	6.4	1,609	6.3
Plastics and rubber	1,308	6.6	1,519	6.4	1,926	6.3	1,882	6.0	1,556	6.1
Paper	896	4.5	936	3.9	1,138	3.7	1,270	4.0	1,119	4.4
Textiles (including clothing)	704	3.5	872	3.7	1,065	3.5	1,112	3.5	927	3.6
Optics and precision equipment	601	3.0	708	3.0	871	2.9	869	2.8	785	3.1
Footwear, hats and umbrellas	139	0.7	135	0.6	204	0.7	224	0.7	198	0.8
Minerals	987	4.9	1,111	4.7	1,177	3.9	1,076	3.4	875	3.4
Agricultural	380	1.9	456	1.9	746	2.5	589	1.9	488	1.9
Food	587	2.9	548	2.3	637	2.1	649	2.1	615	2.4
Fats and oils	32	0.2	40	0.2	54	0.2	66	0.2	30	0.1
Leather and hides	45	0.2	69	0.3	82	0.3	99	0.3	101	0.4
Wood and cork	116	0.6	135	0.6	177	0.6	206	0.7	174	0.7
Other products	866	4.3	1,055	4.4	1,362	4.5	1,431	4.6	1,185	4.6
Total(3)	<u>\$19,969</u>	<u>100.0%</u>	<u>\$23,761</u>	<u>100.0%</u>	<u>\$30,450</u>	<u>100.0%</u>	<u>\$31,404</u>	<u>100.0%</u>	<u>\$25,508</u>	<u>100.0%</u>

(1) Measured on a CIF basis.

(2) Preliminary figures.

(3) Total results may differ from those presented in the "Balance of Payments" table in this report due to differences in methodology used by each of the Ministry of Economy and INDEC in preparing the information presented in each table.

Source: INDEC.

Argentina's largest trading partners are Brazil and the United States, together accounting for 35.7% of exports and 41.3% of imports in 1999. Argentina also conducts a substantial amount of trade with other member countries of ALADI and the EU.

The following table provides data on Argentina's geographic distribution of trade for the periods indicated.

Geographic Distribution of Trade

	1995	1996	1997	1998	1999
(percentage of total)					
Exports					
Brazil.....	26.1%	27.8%	30.7%	30.1%	24.4%
United States	8.6	8.2	8.3	8.3	11.3
Germany.....	3.1	2.4	1.9	2.1	2.7
Italy	3.5	3.0	2.8	2.8	3.0
Japan	2.2	2.2	2.1	2.5	2.3
China	1.4	2.6	3.3	2.6	2.2
The Netherlands	5.7	5.1	3.4	4.2	4.3
Russia.....	0.4	0.6	1.0	0.6	0.6
Rest of ALADI.....	19.7	19.3	18.7	19.0	19.7
Rest of EU.....	9.0	10.7	7.1	8.3	11.3
Rest of world.....	<u>20.3</u>	<u>17.5</u>	<u>21.0</u>	<u>19.6</u>	<u>18.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Imports					
Brazil.....	20.8%	22.4%	22.7%	22.5%	21.9%
United States	20.9	19.9	19.9	19.7	19.4
Germany.....	6.3	6.0	5.4	6.0	5.5
Italy	6.3	6.3	5.7	5.1	5.3
Japan	3.6	3.1	3.7	4.6	4.2
China.....	3.0	2.9	3.3	3.7	3.9
The Netherlands	1.1	0.9	0.8	0.8	1.0
Russia.....	0.4	0.4	0.4	0.6	0.7
Rest of ALADI.....	8.0	8.5	8.0	8.3	8.6
Rest of EU.....	16.5	18.9	15.3	15.6	19.3
Rest of world.....	<u>13.1</u>	<u>10.2</u>	<u>14.6</u>	<u>13.2</u>	<u>10.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: INDEC.

Trade between Argentina and the other Mercosur countries increased from U.S.\$2.7 billion in 1990 to U.S.\$13.3 billion in 1999. Argentina's exports to other Mercosur members decreased 25.2% in 1999, primarily as a result of a decline in Argentine automotive exports to Brazil. Sales to Brazil in 1999 represented approximately 80.8% of Argentina's Mercosur exports. Brazil is currently Argentina's main export market and trading partner.

Trends in the trading relationship between Argentina and Brazil, the two largest member countries of Mercosur, are difficult to ascertain because of differences in the economic policies adopted by both countries. Until the end of 1992, Argentina ran a trade deficit with Brazil, due to economic difficulties in Brazil which depressed both demand for Argentine exports to Brazil and the prices of Brazilian exports to Argentina. Beginning in 1993, Argentina's trade deficit with Brazil began to narrow, as improving economic conditions in Brazil, lower interest rates and stabilization of the Brazilian currency allowed Argentina to increase exports to that country. Argentina achieved a trade surplus with Brazil of approximately U.S.\$1.3 billion in both 1995 and 1996, U.S.\$1.1 billion in 1997 and U.S.\$0.9 billion in 1998 due to continued stabilization of the Brazilian economy. Despite Brazil's devaluation of the *real* in January 1999, Argentina maintained a trade surplus of U.S.\$0.1 billion in 1999.

In December 1994, Mercosur agreed to establish a common set of regulations for the automotive sector to be implemented by 2000. Argentina agreed to treat Brazilian automotive parts as if they were of local origin, and Brazil agreed not to impose duties or quotas on the import of vehicles from Argentina. In June 1995, however, Brazil announced that it intended to impose quotas on car imports from its Mercosur partners, including Argentina.

Brazil has agreed to exempt Argentina from such quotas pending the conclusion of negotiations between the two countries to resolve these issues. On June 30, 2000, Argentina and Brazil signed an agreement implementing a regulatory framework for trade in the automotive sector between the two countries. As part of that regulatory framework, the two countries established common automotive tariffs, most of which are set at 35%. This agreement will later be adopted by the other Mercosur countries.

On March 31, 1997, Brazil implemented restrictions requiring importers to pay cash for all imports, except for certain limited classes of imports and imports with financing terms greater than 360 days. Subsequently, Brazil granted Argentina and the other Mercosur countries a partial exemption from these restrictions for imports from these countries valued at no more than U.S.\$40,000 that have financing terms of less than 90 days. In 1999, exports to Brazil constituted approximately 24.4% of Argentina's total exports, equivalent to 2.0% of GDP. Of those exports, approximately 21.7% were automobiles and automotive components, which are not subject to these trade restrictions. A large part of Argentina's exports to Brazil that remain subject to trade restrictions are products for which there is an international market.

The United States Trade Representative's Office announced in April 1997 the withdrawal of preferential treatment with respect to U.S.\$260 million of Argentine goods that enters the United States duty-free under the Generalized System of Preferences program, resulting in the imposition of an additional tariff of approximately 5%. This measure was taken in response to the view of United States officials that Argentina inadequately protected intellectual property rights. In 1997, the United States Department of Commerce revoked countervailing duties on several products from Argentina, including leather, wool and steel cold-rolled flat products. In addition, in August 1997, the United States lifted a 68-year ban on imports of fresh beef from Argentina. On August 2, 2000, Argentina suspended exports of Argentine beef to the U.S. following detection of the hoof and mouth virus in a small group of cattle. The U.S. immediately banned imports of Argentine beef. It is not possible to predict when exports of beef to the U.S. will resume.

The Government plans to continue its liberalized trading policies and to maintain or expand trading relations with fellow Mercosur members, the EU and other nations in order to sustain the increase in foreign trade it has achieved in recent years. See "The Argentine Economy—Deregulation of the Economy and Privatizations."

Foreign Investment

As a part of the convertibility plan, the Government enacted structural reforms designed to make foreign investment in Argentina more attractive, such as the adoption of a legislative framework that ensures equal treatment of foreign and local investors, privatization of state enterprises and foreign access to all economic sectors. Foreign investments in Argentina generally do not require prior governmental authorization. Foreign investors are not required to register investments with the Government and can freely remit their profits and capital investments abroad.

The United States, Chile, France and Spain are the greatest sources of foreign investment in Argentina, accounting for more than 50% of foreign investment during the period from 1995 through 1998 (the most recent year for which figures are available). The sectors of the Argentine economy that are the main beneficiaries of foreign investment are manufacturing, electricity, gas and water, the petroleum industry, banking and communications. Foreign investment has increased significantly since the implementation of the convertibility plan in 1991. Foreign investment rose from approximately U.S.\$5.3 billion in 1995 to U.S.\$6.5 billion in 1996 and U.S.\$8.1 billion in 1997. In 1998, however, foreign investment declined to U.S.\$6.2 billion, primarily as a result of a reduction in capital flows to emerging markets in the wake of the economic crises in Asia and Russia. Foreign investment recovered in 1999, increasing to U.S.\$23.6 billion (U.S.\$15.2 billion of which was the result of Repsol S.A.'s acquisition of YPF). During the first quarter of 2000, foreign investment was U.S.\$2.0 billion, lower than the level of U.S.\$4.5 billion (U.S.\$2.2 billion of which was due to Repsol S.A.'s acquisition of the Government's holdings of YPF) recorded in the corresponding period of 1999.

MONETARY SYSTEM

The Central Bank

The Central Bank, which was founded in 1935, functions as an independent entity apart from the Government. In accordance with the *Ley de Entidades Financieras* ("Financial Institutions Law"), the Central Bank supervises and controls the Argentine banking system and manages Argentina's international reserves. Pursuant to the terms of the convertibility plan, Congress approved certain amendments to the Central Bank's charter in September 1992, providing that the Central Bank:

- must maintain the value of the currency as its principal objective,
- cannot finance the Government, except indirectly (through the purchase on the open market of Government securities, provided that holdings of such securities cannot exceed one third of the Central Bank's unrestricted reserves at any time and may not be increased by more than 10% in any one year),
- may only fund Argentina's banking sector for liquidity purposes and only on a temporary and secured basis and
- must have a Board of Directors that operates independently of the Government, except in certain matters of policy where the Central Bank's actions are subject to the approval of Congress.

The Central Bank requires financial institutions to submit periodic financial reports in order to monitor each institution's business practices. The Central Bank has the power to:

- authorize the establishment of branches of foreign financial institutions in Argentina,
- fix minimum capital, liquidity and solvency requirements,
- grant certain financial facilities to financial institutions in cases of temporary liquidity problems,
- approve bank mergers,
- approve certain capital increases and transfers of stock,
- grant and revoke banking licenses and
- promulgate other regulations that further the intent of the Financial Institutions Law.

In accordance with its powers under the Financial Institutions Law, the Central Bank promulgated a number of measures on January 12, 1995 to stem the substantial capital flight from the Argentine financial system following the Mexican Crisis. Pursuant to these measures:

- the Central Bank converts dollars into pesos, and vice versa, on a one-to-one basis (previously the Central Bank sold dollars at a strict one-to-one convertibility rate but purchased dollars at the prevailing bank rate, which at times had fallen to 0.998 peso per dollar),
- reserve requirements on bank deposits may be maintained in the currency of choice, eliminating the Central Bank's regulation of the denomination of reserves and
- reserve requirements on U.S. dollar and peso deposits were lowered and made equal (previously, these requirements had been more strict on peso accounts).

Subsequently, the Central Bank required that all banks provide an amount equivalent to 2% of their deposits to Banco de la Nación, the largest state-owned bank, in order to establish a fund to provide short-term loans to financially distressed financial institutions.

In April 1995, Congress amended the Central Bank's charter and the Financial Institutions Law in order to allow the Central Bank to:

- incur external indebtedness and extend the term and increase the amount of secured financial assistance that may be granted to financial institutions, both without commitment of international reserves,
- transfer or sell assets of financial entities experiencing liquidity problems,
- extend to 120 days the maximum duration of a bank suspension and
- increase to U.S.\$5,000 the maximum level of deposits to be included in the preferred creditors list in the event of a bank closing.

At the same time, Congress also created a private deposit insurance program. Under this program, private banks contribute between 0.03% and 0.06% of their total deposits (as determined by the Central Bank) to an insurance fund. The insurance program covers sight deposits and 30-day time deposits up to Ps.10,000 and 90-day time deposits up to Ps.20,000.

In November 1995, Argentina moved from a reserve system based upon currency deposits held by the Central Bank to a liquidity system under which bank liabilities are backed by a portfolio of assets in the form of:

- deposits in foreign low-risk institutions,
- securities issued by member states of the Organization for Economic Cooperation and Development with an investment-grade rating or
- other instruments with low risk and high liquidity.

The present system has three advantages over the former deposit-based reserve system. First, it imposes reserve requirements on most bank liabilities (including negotiable obligations and short-term credits) and not merely on deposits, thus strengthening the stability of the system. Second, the system imposes the same reserve requirements on all types of deposits and eliminates the distortions created by the old system, which imposed different reserve requirements. Third, the present system is less costly to the banking sector because it allows reserves to be maintained in the form of productive assets rather than in non-interest bearing deposits with the Central Bank.

In December 1996, the Central Bank entered into the BCRA Repurchase Facility in the form of securities repurchase agreements with 13 major financial institutions, in an aggregate amount of up to U.S.\$6.1 billion, which was raised to U.S.\$6.7 billion in December 1997. The BCRA Repurchase Facility was decreased to U.S.\$6.2 billion in April 1999, as several private banks reduced their participation in the facility. As of June 30, 2000, the facility had increased to U.S.\$6.9 billion, as the World Bank's increase in its participation offset further decreases by private banks. The Central Bank does not expect to draw down on the facility, but believes that having the facility at its disposal sends a positive message to global investors with respect to the Government's ability to deal successfully with a liquidity crisis in the banking system.

Financial Sector

The Central Bank regulates the financial sector through the Superintendency of Financial Entities. Among the most important responsibilities of the Superintendency of Financial Entities are:

- implementing and enforcing Argentina's banking laws,
- establishing and enforcing accounting and financial reporting requirements for the banking sector,
- monitoring and regulating the lending practices of financial institutions and

- establishing and enforcing rules for financial institutions raising foreign exchange or issuing bonds.

As of December 31, 1999, the Argentine financial system consisted of 117 financial institutions, of which 16 were state-owned and 101 were privately owned. As a consequence of the Mexican Crisis, the total number of financial institutions decreased from 205 to 156 between December 31, 1994 and December 31, 1995. During this period, the Central Bank revoked the licenses of 16 banks and 33 banks were dissolved as a result of mergers. The effect of the Mexican Crisis continued through 1996, resulting in a decrease in the total number of financial institutions from 156 to 147. Due to increased competition and foreign investment in the financial sector, the total number of financial institutions in Argentina decreased to 120 as of May 30, 2000.

The following table presents data on the Argentine financial system as of the dates indicated.

The Argentine Financial System

Type of Institution	As of December 31, 1998				As of December 31, 1999				As of May 30, 2000						
	Number		Loans		Deposits		Number		Loans		Deposits				
		\$ billion	%	\$ billion	%	\$ billion	%		\$ billion	%	\$ billion	%			
Financial firms															
State-owned(1)	16	27.9	35.6%	27.3	34.7%	16	29.0	37.0%	27.5	34.1%	16	29.0	37.4%	29.2	34.2%
Private	112	50.4	64.4%	51.4	65.3%	101	49.3	63.0%	53.2	65.9%	104	48.5	62.6%	56.1	65.8%
Total	128	78.3	100.0%	78.7	100.0%	117	78.3	100.0%	80.7	100.0%	120	77.5	100.0%	85.3	100.0%

(1) National, provincial and municipal.

Source: Central Bank.

Commercial banks in Argentina offer customers demand deposits, savings accounts and fixed-rate deposits that pay interest at market rates in local and in foreign currency. Since the creation of U.S. dollar-denominated accounts in 1989, such accounts have attracted a growing share of deposits, reaching 59.4% of total deposits as of June 30, 2000.

Since 1989, the Government has privatized certain public financial institutions and reformed certain others. International trade financing was transferred from the Central Bank to Banco de Inversión y Comercio Exterior S.A. (BICE). Banco Nacional de Desarrollo, which financed industrial development, was absorbed by the largest state-owned bank, Banco de la Nación Argentina. The national savings bank, Caja Nacional de Ahorro y Seguros, was privatized in April 1994. Banco Hipotecario Nacional, which was active in financing housing construction, was transformed into a wholesale bank and was privatized on February 2, 1999. In addition, 16 provincial banks were privatized between 1990 and 1999. See "The Argentine Economy—Deregulation of the Economy and Privatizations—Privatizations."

As a result of the success of the convertibility plan, the efficiency and profitability of the financial sector improved and the sector expanded from 1991 to 1994 after declining throughout the late 1980s and 1990. In early 1995, due to a combination of the Mexican Crisis and uncertainty concerning the outcome of the May 1995 presidential elections, local and foreign investors withdrew approximately U.S.\$7.0 billion from the financial system, causing total deposits to decrease from U.S.\$43.9 billion on December 31, 1994, to U.S.\$36.8 billion on May 12, 1995. This outflow of bank deposits led to sharp increases in interest and call money rates.

Wholesale banks and provincial banks, in particular, were adversely affected by the financial crisis of 1995. Wholesale banks had relied heavily on bond trading, and the fall of Argentine bond prices caused a considerable reduction in the value of their assets and a decline in their income from trading activities. The problems of the provincial banks were even greater. A combination of patronage employment practices and political mismanagement had left the majority of these banks in poor financial condition. The Government has reduced the flow of its revenues to such banks to induce them to carry out necessary reforms as well as to minimize budget constraints at the federal level. At the same time, more financially sound banks have cut off provincial banks (as well as the wholesale banks which lend to them) from interbank lending, and provincial banks have experienced a flight of deposits to "quality" financial institutions.

In response to the outflow of deposits and resulting tightening liquidity as a result of the Mexican Crisis, the Government took several remedial measures. In March 1995, the Government created two fiduciary funds to support the transformation of the Argentine banking sector in an effort to overcome the effects of the Mexican Crisis. The first fund, known as the Provincial Fiduciary Fund, which had capital amounting to U.S.\$ 1.2 billion as of June 30, 2000, was created to, among other things:

- make secured loans to provincial banks experiencing temporary liquidity or delinquent loan problems,
- provide liquidity to provincial banks through the purchase of assets at a discount,
- advance to the provinces up to 70% of the expected proceeds of the sale of any public company or asset and
- finance programs to reduce the staff of public entities in preparation for privatization.

The second fiduciary fund, known as the Banking Capitalization Fund, which had capital of U.S.\$0.6 billion as of March 31, 2000, was established to help finance the transfer of viable assets and liabilities of struggling banks to stronger financial institutions. These funds received financing from the World Bank, the IADB and from the proceeds of the sale of Argentine bonds.

As a result of reforms of the banking system, increased confidence in the Argentine economy since 1995 and investments by foreign banks in the banking system, the Argentine financial system has recuperated liquidity. Total deposits grew to U.S.\$54.8 billion as of December 31, 1996, U.S.\$69.0 billion as of December 31, 1997, U.S.\$78.5 billion as of December 31, 1998 and U.S.\$78.7 billion as of December 31, 1999. As of June 30, 2000, the banking system appeared to have weathered the recent economic difficulties in Argentina and in other countries. Between October 22, 1997, the start of the Asian crisis, and June 30, 2000, total deposits grew 27.5%, from U.S.\$66.2 billion to U.S.\$84.4 billion (40.6% of which was in pesos and 59.4% of which was in U.S. dollars). The June 30, 2000 figure represents a 4.6% increase from June 30, 1999 and a 1.7% increase from May 31, 2000

Liquidity and Credit Aggregates

The following tables set forth the composition of Argentina's monetary base (expressed in terms of the Central Bank's monetary liabilities) and international reserves for the periods indicated.

Monetary Base and Central Bank International Reserves(1)

	As of December 31,					As of
	1995	1996	1997	1998	1999(5)	June 30, 2000(5)
	(millions of dollars)					
Currency including cash in vaults at banks	\$ 13,050	\$ 14,030	\$ 15,966	\$ 16,370	\$ 16,493	\$ 13,749
Other(2)	<u>3,355</u>	<u>4,139</u>	<u>6,435</u>	<u>8,323</u>	<u>9,814</u>	<u>11,986</u>
Monetary base(3)	<u>\$ 16,405</u>	<u>\$ 18,169</u>	<u>\$ 22,401</u>	<u>\$ 24,693</u>	<u>\$ 26,307</u>	<u>\$ 25,735</u>
International reserves deposited in the Central Bank(4).....	17,042	19,296	24,308	28,524	27,831	27,374
International reserves deposited in foreign banks.....	<u>1,383</u>	<u>3,510</u>	<u>6,962</u>	<u>5,488</u>	<u>5,758</u>	<u>6,370</u>
Total international reserves...	<u>\$ 18,975</u>	<u>\$ 22,807</u>	<u>\$ 31,269</u>	<u>\$ 32,012</u>	<u>\$ 33,589</u>	<u>\$ 33,744</u>

(1) All figures are at market value as of the date indicated.

(2) Up to January 17, 1995, includes reserves required in pesos for peso deposits in commercial banks. From January 17, 1995 to August 31, 1995, includes reserves required in U.S. dollars for peso deposits. Since August 31, 1995, includes reserves required in U.S. dollars for peso deposits as well as Bank Liquidity Notes.

(3) Up to January 17, 1995, includes currency in circulation plus reserve requirements in pesos for peso deposits. From January 17, 1995 to August 31, 1995, includes currency in circulation plus reserves required in U.S. dollars for peso deposits. Since August 31, 1995, includes the sum of currency in circulation, reserves required in U.S. dollars for peso deposits and Bank Liquidity Notes.

(4) Excludes Government deposits in the Central Bank.

(5) Preliminary figures.

Source: Central Bank.

Liquidity and Credit Aggregates

	As of December 31,					As of
	1995	1996	1997	1998	1999	June 30, 2000
	(millions of dollars)					
Currency(1).....	\$ 11,154	\$ 11,730	\$ 13,325	\$ 13,496	\$ 13,725	\$ 11,403
M1(2)	16,651	19,909	23,208	23,782	22,847	21,312
M2(3)	21,317	25,731	30,706	32,454	30,396	30,010
M3(4)	53,750	64,488	81,825	90,290	92,383	45,810
Loans						
Private sector loans	46,756	51,233	59,925	67,091	65,240	63,486
Public sector loans	<u>5,632</u>	<u>6,358</u>	<u>7,010</u>	<u>9,316</u>	<u>11,992</u>	<u>13,113</u>
Total.....	<u>\$ 52,388</u>	<u>\$ 57,592</u>	<u>\$ 66,935</u>	<u>\$ 76,407</u>	<u>\$ 77,232</u>	<u>\$ 76,599</u>

(1) Does not include cash in vaults at banks.

(2) M1: Currency + peso-denominated demand deposits.

(3) M2: M1 + peso-denominated savings deposits.

(4) M3: M2 + total foreign currency denominated deposits, principally in dollars.

Source: Central Bank.

Argentina's monetary base grew each year from 1995 to 1999, from U.S.\$16.4 billion in 1995 to U.S.\$26.3 billion in 1999. Total international reserves at the Central Bank have also grown consistently in the past five years, from U.S.\$19.0 billion in 1995 to U.S.\$27.8 billion in 1999. Similarly, the narrow money aggregate M1 increased from 6.4% of GDP in 1995 to 8.1% of GDP in 1999. The broad money aggregate M3, which includes foreign currency denominated deposits, followed the same trend, increasing from 20.8% of GDP in 1995 to 32.6% of GDP in 1999. Foreign currency deposits are significant to system liquidity because of their size, high rate of growth and their ease of conversion between U.S. dollars and pesos. The recessionary conditions in Argentina in 1999 did not have a marked impact on Argentina's monetary base or international reserves. As of June 30, 2000, the monetary base (consisting of currency in circulation and money held at the Central Bank to meet liquidity requirements) was U.S.\$25.7 billion, a 10.2% increase from the level recorded on June 30, 1999. On June 30, 2000, gross international reserves at the Central Bank (including approximately U.S.\$1.5 billion of public bonds) stood at U.S.\$27.4 billion, a 10.6% increase from the June 30, 1999 level.

As of August 31, 2000, the monetary base (consisting of currency in circulation, reserves required in U.S. dollars for peso deposits, Bank Liquidity Notes and repurchase agreements between the Central Bank and commercial banks) was U.S.\$24.4 billion, representing a 6.2% increase from the level recorded on August 31, 1999. In addition, as of August 31, 2000, gross international reserves (including gold deposits and approximately U.S.\$1.5 billion of public bonds) stood at U.S.\$26.1 billion, representing a 6% increase over the level recorded on August 31, 1999.

Credit granted to non-financial institutions in 1999 increased by 4.9% over credit granted to these institutions in 1998 primarily as a result of an increase in credit granted to services and finances, construction and consumer institutions necessitated by the growth of the financial sector.

The following table sets forth credit granted to non-financial institutions for the periods indicated.

Credit Granted to Non-Financial Institutions

	1995	1996	1997	1998	1999
	(millions of dollars)				
Agriculture, forestry, livestock and fisheries	\$ 5,798	\$ 5,397	\$ 6,132	\$ 6,255	\$ 5,963
Mining and extractives (including petroleum and gas)....	312	496	555	690	571
Manufacturing industries	11,012	12,380	13,358	12,644	11,741
Electricity, gas and water.....	1,262	1,329	1,509	1,661	1,456
Construction.....	2,552	2,596	2,561	2,785	2,944
Wholesale and retail trade.....	8,282	7,857	8,600	8,019	7,844
Services and finances.....	14,864	17,135	20,035	20,272	22,456
Other	<u>15,402</u>	<u>16,754</u>	<u>21,118</u>	<u>24,211</u>	<u>27,320</u>
Total.....	<u>\$59,483</u>	<u>\$63,945</u>	<u>\$73,870</u>	<u>\$76,536</u>	<u>\$80,295</u>

Source: Central Bank.

Inflation

Since the implementation of the convertibility plan, the annual inflation rate, as measured by the CPI, has fallen sharply, declining from 1,343.9% in 1990 to -1.2% in 1999.

As of July 30, 2000, the Consumer Price Index had decreased by 0.9% as compared to July 30, 1999 and the Wholesale Price Index had increased by 4.5% as compared to July 30, 1999, primarily due to increases in commodities prices.

The following table sets forth inflation rates for the periods indicated.

	Consumer Prices, increase (decrease) over previous period(1)(2)	Wholesale Prices, increase (decrease) over previous period(1)(2)
1995	1.6	5.8
1996	0.2	(2.1)
1997	0.3	0.9
1998	0.7	(6.3)
1999	(1.2)	(3.8)
2000		
January	0.8	1.2
February	0.0	0.9
March	(0.5)	0.5
April	(0.1)	(1.2)
May	(0.4)	(1.1)
June	(0.2)	(0.6)
July	0.4	(0.2)

(1) Rate of change shown in percentages.

(2) For annual figures, change in price index is from December to December. For monthly figures, change in price index is from end of previous month.

Source: INDEC.

Foreign Exchange Rates and International Reserves

In December 1989, a free exchange rate was established for all foreign currency transactions. The Central Bank is an active participant in the foreign exchange market. In order to regulate market liquidity and maintain Argentina's international reserves, the Central Bank maintains the peso-dollar exchange rate by selling, and since January 1995 purchasing, dollars at a one-to-one rate. Major banks, exporters and importers are also key participants in this market. Due to the ease of conversion between the peso and the dollar as a result of the Government's exchange rate policies, changes in U.S. interest rates constitute a significant factor in determining peso-dollar capital flows.

The following table shows the international reserves of the Central Bank as of the dates indicated.

	As of December 31,					As of
	1995	1996	1997	1998	1999	August 31, 2000
	(millions of dollars)					
Assets						
Gold	\$ 1,679	\$ 1,611	\$ 120	\$ 124	\$ 121	\$ 7
Cash	176	42	50	76	396	68
Deposits(2).....	1,496	1,166	161	631	651	1,204
Demand deposits.....	559	562	167	264	158	218
Interest-bearing deposits	12,032	16,334	22,267	25,124	25,986	23,147
ALADI claims (net)	22	31	42	30	30	(6)
Argentine Government notes.....	2,543	1,793	1,826	1,618	1,424	1,457
Other	0	0	0	0	0	0
Government deposits in the Central Bank.....	—	—	(325)	(1,343)	(935)	476
Gross international reserves(3).....	18,506	21,539	24,308	26,524	27,831	26,571
Liabilities (monetary base) ...	<u>17,318</u>	<u>20,411</u>	<u>22,401</u>	<u>24,693</u>	<u>26,307</u>	<u>24,450</u>
Net international reserves.....	<u>\$ 1,188</u>	<u>\$ 1,128</u>	<u>\$ 1,907</u>	<u>\$ 1,831</u>	<u>\$ 1,523</u>	<u>\$ 2,120</u>

(1) All figures are at market value as of the date indicated.

(2) Commercial bank deposits held at the Central Bank.

(3) Between 1995 and 1996, Government deposits in the Central Bank were included in gross international reserves. In 1997 and 1998, gross international reserves exclude Government deposits in the Central Bank. Figures as of August 31, 2000 include Government deposits in gross international reserves.

Source: Central Bank.

Argentina's gross international reserves at the Central Bank increased from U.S.\$18.5 billion as of December 31, 1995 to U.S.\$27.4 billion as of June 30, 2000, due largely to an increase in interest-bearing deposits.

Securities Markets

Argentina has active Government bond and equities markets and a developing corporate bond market. The market capitalization of Argentina's securities markets as of December 31, 1999 was U.S.\$49.2 billion for Government bonds, U.S.\$5.0 billion for corporate bonds and U.S.\$83.0 billion for equities, totaling U.S.\$137.2 billion. In 1999, market capitalization increased by 57% compared to 1998. The increase in market capitalization is due to mergers and acquisitions and the listing in Argentina of the headquarters of the buyers' foreign companies.

The markets are regulated by the *Comisión Nacional de Valores* ("National Securities Commission" or "CNV"). The CNV regulates all agents that carry out transactions in public securities markets and has the authority to regulate and control the public offering of all securities other than the primary issue of Government securities. In addition, several rating agencies have been in operation in Argentina since November 1, 1992.

The Government has introduced substantial reforms in the capital markets to promote foreign investment. Beginning in 1989, the elimination of restrictions on foreign capital movements has liberalized the capital markets. The Government has devised a framework to permit the introduction of non-bank financial products into the capital markets, including projects for the creation of a futures and options market. To promote activity in the stock market, between 1991 and 1992 the Government ceased regulating brokerage fees and eliminated transfer taxes and stamp taxes on securities transactions. In addition, the Congress passed legislation in 1993 that allows greater flexibility in the investment portfolios of mutual funds by creating fixed-income funds as a new investment option.

Government Bonds and Treasury Bonds

The Argentine bond market is dominated by Government securities, especially Bocones and Brady Bonds and, since 1994, Bontes and Letes. Bonex, a U.S. dollar-denominated bond which was traded primarily in the over-the-counter market, dominated the Argentine bond market until approximately 1995. See "Public Sector Debt—Description of Debt and Debt Restructuring."

In 1994, the Government established a Treasury bonds market supervised and managed by the Treasury. Prior to the establishment of the Argentine Treasury bonds market, the short- to medium-term peso debt market was comprised exclusively of certificates of deposit. One of the Government's goals in establishing the Treasury bonds market was to set benchmarks for short-term interest rates. The Treasury established CRYL, a clearing house managed by the Central Bank, to handle all Treasury bond issues. The Government publishes an annual timetable for the regular public auction of Treasury bonds. Under the new Treasury system, short-term issues of three, six or twelve-month maturities are known as Letes and bonds of medium- and long-term maturity are known as Bontes. Letes and Bontes may be denominated in either pesos or U.S. dollars. As of June 30, 2000, there were U.S.\$4.7 billion of Letes and U.S.\$12.6 billion of Bontes outstanding.

Corporate Bonds

In July 1988, legislation was passed for the development of the corporate bond market in Argentina. Corporate bonds are issued in bearer or registered form and may be repaid in local or foreign currency, according to the terms and conditions of their issuance. Interest rates on corporate bonds may be fixed or floating and can vary substantially with market conditions and the creditworthiness of the issuer. Most corporate bonds are denominated in U.S. dollars.

Equities

The Argentine equities market is regulated by the CNV, the *Bolsas de Comercio* (Stock Exchanges) and the *Caja de Valores S.A.*, a clearing house. There are 12 stock exchanges in Argentina, seven of which are authorized to quote securities: Buenos Aires, La Plata, Córdoba, Mendoza, Santa Fe, Río Negro and Rosario. The oldest and largest is the Buenos Aires Stock Exchange, which was founded in 1854. The Argentine equities market, although exhibiting considerable volatility during the period of 1995 to 1999, increased from U.S.\$37.1 billion as of December 31, 1995 to \$83.0 billion as of December 31, 1999. The number of listed companies in Argentina declined from 144 as of December 31, 1995 to 115 as of August 31, 2000. This decline was due to foreign acquisitions that led to the delisting of the acquired company and to the disappearance of companies through local mergers. The volume of shares traded on the Buenos Aires Stock Exchange decreased from U.S.\$35.3 million in 1996 to U.S.\$14.2 million in 1999 due to the decrease in capital inflows in 1999.

The following table sets forth the market capitalization and traded volume in the Argentine capital markets as of the dates indicated.

Argentine Capital Market

As of December 31,

	1995	1996	1997	1998	1999
Shares.....	37.1	44.4	59.0	45.3	83.0
Negotiable obligations.....	2.9	3.5	3.8	4.3	5.0
Public bonds	32.4	39.5	42.7	37.8	49.2
National.....	32.6	39.1	42.3	37.6	49.0
Provincial.....	0.1	0.4	0.4	0.1	0.2
Total market capitalization (billions of dollars)(1).....	<u>72.4</u>	<u>87.3</u>	<u>105.4</u>	<u>87.4</u>	<u>137.2</u>
Shares(2).....	18.4	35.3	42.8	31.8	14.2
Public bonds(1).....	213.2	460.0	398.8	202.3	188.2
Negotiable obligations(2).....	n/a	0.6	0.6	0.5	0.6
Total volume (millions of dollars)(2).....	<u>282.4</u>	<u>484.7</u>	<u>449.6</u>	<u>239.7</u>	<u>197.0</u>

(1) On the Buenos Aires Stock Exchange and the *Mercado Abierto Electrónico* (Electronic Open Market, currently a market for the trading of public and private bonds (commercial papers) but not equity).

(2) On the Buenos Aires Stock Exchange.

Source: CNV and Central Bank.

Individuals, pension funds and mutual funds constitute the largest groups of investors in Argentina's capital markets. Investment by banks and insurance companies in the equity markets is limited by law. Since the reform of the social security system in 1994, total assets managed by pension funds have grown significantly, reaching a level of U.S.\$11.5 billion in 1998 and U.S.\$16.8 in 1999. While Argentina's mutual funds currently control only a small portion of the capital market, the total capitalization of mutual funds in Argentina increased from U.S.\$ 0.6 billion in 1995 to U.S.\$7.1 billion in 1999. The development of mutual funds and the increase in the assets of Argentine institutional pension funds have created a broader market and increased the level of activity on the Buenos Aires Stock Exchange. See "Public Sector Finances—Social Security Reform."

PUBLIC SECTOR FINANCES

Overview

Argentina's public sector consists of the Government (including special accounts and independent institutions, such as public universities, whose budgets are not subject to approval by the Government), the social security system and non-financial public sector enterprises. Government transfers to provincial governments are included in public sector accounts. Public sector accounts do not include either revenue collected by the provincial governments (other than transfers from the Government) or provincial expenditures. The overall balance includes the net amount of interest paid by the Central Bank on foreign debt and interest earned on the Central Bank's international reserves.

The legal authority to impose taxes is shared by Congress, the provincial legislatures and, within certain limits, the municipalities. The precise distribution of taxing authority, however, is not clearly defined by law. The Supreme Court of Argentina, in interpreting the Argentine Constitution, has concluded that taxes on external trade may be levied only by the Government. The Supreme Court has also concluded that federal taxing authority generally is limited to certain indirect taxes and temporary direct taxes levied only under exceptional circumstances. Collection inefficiencies at the provincial level, however, have led the Government to assume most of the taxing authority. Federal taxes must be authorized by an act of Congress, although the executive branch is empowered to issue regulations and decrees necessary to implement such legislation. The Ministry of Economy is responsible for the collection of public revenues. The Ministry of Economy carries out this task mainly through the *Dirección General Impositiva* (the General Directorate of Taxes).

Currently, the federal Government imposes income and other taxes that the Constitution permits the provinces to impose, and then shares the revenue with the provinces. The shared taxes, or "co-participated taxes," include income taxes, the value-added tax and excise taxes. In 1994, the Government, the provinces and the city of Buenos Aires entered into a tax co-participation agreement, which provided for the creation of a federal agency to monitor compliance with the co-participation regime. This agency includes representatives of all the provinces and Buenos Aires. Originally scheduled to expire in December 1996, the co-participation agreement was initially extended to December 1999 and was later re-extended to December 2001. The Government is currently drafting a new co-participation bill but has not yet submitted it to the Congress.

The *Jefatura del Gabinete de Ministros* (the Chief of the Cabinet of Ministers) is responsible for the preparation of the Government's annual budget, which is subject to approval by the President and Congress. Once a budget is authorized, funds are provided to the various agencies and to the provinces on a quarterly basis. The *Auditoría General de la Nación* (National General Audit Agency) is responsible for supervising budgetary compliance by the Government and its agencies. The Public Sector Financial Administration Law prohibits the Government from borrowing to meet operating deficits, except in the case of national emergencies. If revenues are less than projected during the budget year, the Government adjusts expenditures to meet its target deficit.

Public Sector Accounts

The following tables sets forth a summary of public sector accounts (calculated on a cash basis) for the periods indicated in billions of dollars.

Summary of Public Sector Accounts

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>As of June 30, 2000</u>
	(billions of dollars)					
Revenues						
National administration taxes	\$ 31.03	\$ 33.18	\$ 38.35	\$ 40.36	\$ 38.63	\$ 20.67
Social security taxes(1)	13.70	10.28	12.20	11.99	10.89	5.36
Operating public enterprises						
Revenues	1.09	0.05	0.05	0.06	0.04	0.03
Expenditures	<u>1.14</u>	<u>0.01</u>	<u>0.01</u>	<u>0.00</u>	<u>0.01</u>	<u>0.02</u>
Total	(0.05)	0.05	0.04	0.06	0.03	0.01
Non-tax revenues	3.21	2.54	3.23	3.59	5.09	2.25
Capital revenues (excluding privatizations)						
Total revenues	<u>47.97</u>	<u>46.42</u>	<u>54.26</u>	<u>56.41</u>	<u>54.83</u>	<u>28.49</u>
Expenditures (excluding interest payments)						
National administration wages	6.64	6.75	7.22	6.76	7.12	3.38
Goods and services	2.06	2.14	2.24	2.37	2.28	0.90
Social security(1)	15.63	15.44	17.20	17.48	17.44	8.46
Transfers to provinces	12.43	13.34	15.18	15.83	15.64	7.97
Other transfers(2)	6.26	6.12	7.46	7.71	8.29	3.95
Other expenditures	0.20	0.01	0.01	0.00	0.00	0.00
Capital spending	<u>3.22</u>	<u>3.56</u>	<u>3.79</u>	<u>3.77</u>	<u>3.18</u>	<u>1.40</u>
Total expenditures	46.44	47.37	53.10	53.92	53.95	26.06
Primary balance before privatizations	1.54	(0.95)	1.16	2.49	0.88	2.43
Privatization proceeds	<u>1.17</u>	<u>0.37</u>	<u>0.31</u>	<u>0.10</u>	<u>2.58</u>	<u>0.00</u>
Primary balance after privatizations...	2.71	(0.58)	1.47	2.59	3.45	2.43
Interest payments	<u>(4.08)</u>	<u>(4.61)</u>	<u>(5.75)</u>	<u>(6.66)</u>	<u>(8.22)</u>	<u>(4.77)</u>
Overall balance	<u>\$ (1.37)</u>	<u>\$ (5.19)</u>	<u>\$ (4.28)</u>	<u>\$ (4.07)</u>	<u>\$ (4.77)</u>	<u>\$ (2.33)</u>

(1) The methodology for determining revenues and expenditures with respect to social security was modified between 1996 and 1997.

(2) Includes transfers to the PAMI.

Source: Ministry of Economy.

The following table sets forth a summary of the public sector accounts (calculated on a cash basis) as a percentage of GDP.

Summary of Public Sector Accounts

	1995	1996	1997	1998	1999
	(percentage of GDP)				
Revenues					
National administration taxes.....	12.0%	12.2%	13.1%	13.5%	13.6%
Social security taxes(1).....	5.3	3.8	4.2	4.0	3.9
Operating public enterprises					
Revenues.....	0.4	0.0	0.0	0.0	0.0
Expenditures.....	<u>0.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total.....	0.0	0.0	0.0	0.0	0.0
Non-tax revenues.....	1.2	0.9	1.1	1.2	1.8
Capital revenues (excluding privatizations).....	<u>0.0</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>	<u>0.0</u>
Total revenues.....	18.6%	17.0%	18.6%	18.9%	19.4%
Expenditures (excluding interest payments)					
National administration wages.....	2.6%	2.5%	2.5%	2.3%	2.5%
Goods and services.....	0.8	0.8	0.8	0.8	0.8
Social security(1).....	6.1	5.7	5.9	5.9	6.2
Transfers to provinces.....	4.8	4.9	5.2	5.3	5.5
Other transfers.....	2.4	2.2	2.5	2.6	2.9
Other expenditures.....	0.1	0.0	0.0	0.0	0.0
Capital spending.....	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.1</u>
Total expenditures.....	18.0%	17.4%	18.1%	18.1%	19.1%
Primary balance before privatizations.....	0.6	0.4	0.4	0.8	0.3
Privatization proceeds.....	<u>0.5</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.9</u>
Primary balance after privatizations.....	1.1	0.2	0.5	0.9	1.2
Interest payments.....	<u>1.6</u>	<u>1.7</u>	<u>2.0</u>	<u>2.2</u>	<u>2.9</u>
Overall surplus/deficit.....	<u>(0.5)%</u>	<u>(1.9)%</u>	<u>(1.5)%</u>	<u>(1.4)%</u>	<u>(1.7)%</u>

(1) The methodology for determining revenues and expenditures with respect to social security was modified between 1996 and 1997.

Source: Ministry of Economy.

The public account recorded a U.S.\$1.4 billion deficit in 1995, due primarily to decreased tax revenues as a result of the Mexican Crisis and increased interest payments. The deficit grew to U.S.\$5.2 billion in 1996 primarily due to lower than anticipated tax revenues, particularly with respect to social security taxes. The public account deficit decreased to U.S.\$4.3 billion in 1997, primarily due to increased tax revenues as a result of the growth of the economy and tax increases passed in 1996. The Government recorded a U.S.\$4.1 billion deficit in 1998, primarily due to an increase in interest payments. In 1999, Argentina recorded a fiscal deficit, excluding privatization proceeds, of U.S.\$7.1 billion (calculated by subtracting the Central Bank's surplus of U.S.\$253 million from the deficit of U.S.\$7.4 billion of the non-financial public sector). This U.S.\$7.1 billion deficit, which exceeded the IMF target of U.S.\$5.1 billion, was primarily due to decreased tax receipts caused by recessionary conditions in Argentina. Due to the recessionary conditions in Argentina, the IMF did not take action against Argentina for exceeding the IMF deficit target.

During the first half of 2000, Argentina recorded a fiscal deficit of U.S.\$2.3 billion, within the IMF target of U.S.\$2.7 billion for the first half of the year. The Republic met the IMF deficit target primarily because of revenues received under a tax amnesty program and the sale of bonds previously held as collateral under the Brady Plan, as described below.

The Government remains committed to reducing the fiscal deficit. In August 1999, the Congress approved the Fiscal Convertibility Law. The Fiscal Convertibility Law:

- limits growth in public expenditures to the GDP growth rate,
- requires a reduction in the deficit from a maximum of 1.9% of GDP in the year 1999 to a balanced budget in the year 2003 and
- establishes a fiscal stabilization fund to be used in the event of fiscal crises.

To aid its attempts to reduce the fiscal deficit, the Government on May 24, 2000 announced U.S.\$0.9 billion (on an annualized basis) of spending cuts to be implemented over the following twelve months. The spending cuts include a U.S.\$0.6 billion cut in public sector salaries, a U.S.\$0.2 billion special pensions cut and a U.S.\$0.1 billion spending cut related to the downsizing of certain government agencies. Approximately U.S.\$0.5 billion of these cuts will be implemented during the year 2000.

Revenues

The Government's most important source of tax revenue is the value-added tax, a broadly based value-added tax on goods and services. The value-added tax is currently set at 21%. The second largest source of tax revenue is the various social security taxes, which include:

- payroll taxes based on employee wages and mandatory pension contributions (11% for employees and 17.6% (including PAMI) for employers),
- decree 1520/98, which set a schedule of reduction decreasing the tax rate to 11.6% in August 1999; in addition there are regional deductions which put the tax rate at the minimum of 2.93% to a maximum of 7.41%,
- the pensioner health system tax (3% for employees and 1.6% for employers),
- unemployment insurance (1.5% for employers) and
- employee health system tax (3% for employees and 5% for employers).

In addition, employers are required to pay 7.5% of wages for various family subsidies granted to their employees. Income tax, both personal and corporate, is the third most important source of tax revenue. Income tax has become a more important source of revenue due to reforms implemented in 1992 and 1993. These reforms led to:

- an increase in the tax rate on gross corporate profits from 20% to 30% and
- a change in the personal income tax rate from a progressive scale of 11% to 30% to a progressive scale of 6% to 33% of income.

In addition, in 1996, certain limitations to deductions from personal income tax were imposed and the tax rate on gross corporate profits was increased from 30% to 33%. In recent years, the Government has carried out tax reforms with the aim of increasing overall tax revenues while reducing or eliminating taxes that impede commercial transactions. Thus, the Government has phased out export duties, stamp taxes on stock transactions and taxes on foreign exchange transactions while greatly increasing value-added tax revenues.

In 1996, revenues from national administration taxes increased by U.S.\$2.2 billion, while revenues from social security taxes fell by U.S.\$3.4 billion, primarily due to structural reforms in the social security system, such as the private management of pension funds. In 1997, revenues from national administration taxes increased U.S.\$5.2 billion due to improved macroeconomic conditions in Argentina, including increased foreign investment and decreased unemployment. In 1998, revenues from national administration taxes increased U.S.\$2.0 billion, due to increased macroeconomic activity, an increase in imports and a change in the schedule of advance payments of income tax and personal assets tax. In 1999, revenues from national administration taxes decreased U.S.\$1.7 billion, primarily due to decreased economic activity caused by the recession, and revenues from social security taxes fell U.S.\$1.1 billion, primarily due to a reduction in the employer payroll tax rate.

The following table sets forth the composition of tax revenue for the periods indicated.

Composition of Tax Revenue

	1995	1996	1997	1998	1999	As of June 30, 2000(2)
	(percentage of total)					
Value-added tax	40.5%	42.8%	41.4%	40.7%	38.3%	38.3%
Other taxes on goods and services.....	13.0	12.0	13.9	13.2	17.5	16.8
Social security taxes.....	28.4	24.5	22.4	21.5	20.5	18.0
Income taxes (corporate and personal).....	14.5	15.5	16.8	18.9	18.9	22.1
Import and export taxes	4.9	5.3	5.9	4.8	4.8	4.1
Taxes on capital	<u>0.7</u>	<u>1.5</u>	<u>1.0</u>	<u>1.1</u>	<u>1.1</u>	<u>1.9</u>
Gross total	<u>102.6</u>	<u>101.7</u>	<u>101.3</u>	<u>101.2</u>	<u>101.2</u>	<u>101.2</u>
Drawbacks(1).....	2.6	1.7	1.3	1.2	1.2	1.2
Net total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Drawbacks for 1998 are included in the gross total.

(2) Preliminary figures.

Source: Ministry of Economy.

Under the August 1992 *Pacto Fiscal* (Fiscal Pact), the provinces pay 15% of their co-participation revenues to the national social security system, and the Government makes minimum monthly payments to each province as well as a special supplemental payment to certain poorer provinces. In December 1999, the Government and the provinces renewed the 1992 Fiscal Pact until December 31, 2001. Pursuant to the December 1999 renewal, payments to the provinces will be at least U.S.\$1.36 billion per month in 2000 and in 2001 will equal the average of the monthly payments stipulated for 1998-2000 in a previous renewal of the Fiscal Pact.

On August 12, 1993, the Government and 16 provincial governments signed the *Pacto Federal* (Federal Pact) to coordinate tax reforms for the reduction of distortionary taxes. The signing provinces agreed to standardize taxes on real estate and automobiles and to abolish:

- stamp taxes,
- transfer taxes on fuel, gas and electricity,
- taxes on interest on time deposit and savings accounts,
- taxes on bank drafts and
- payroll taxes.

The signing provinces also agreed to take steps to deregulate their local economies and to privatize provincial banks and other public enterprises. In addition, the 1993 Federal Pact provides for the voluntary integration of provincial social security systems into the national social security system. Between 1994 and 1996, eleven provincial social security systems merged into the national system. Although the 1993 Federal Pact originally required provincial governments to enact the tax reforms listed above by June 30, 1995, the Congress has extended this deadline until December 31, 2001. Despite the signing of the Federal Pact by 16 provincial governments, the Republic can give no assurance as to the success of any provincial government in implementing these tax reforms.

Since the mid-1990's, the Congress has passed a number of tax increases for varying purposes. In February and March of 1995, the Government enacted measures designed to raise additional revenue in order to counter the substantial capital flight resulting from investor reaction to the Mexican Crisis. These measures included:

- an increase in the value-added tax from 18% to 21%,
- increases in duties on imports from non-Mercosur countries, including the reintroduction of a 3% tax on imports that had been eliminated by the Government at the end of 1994 and an imposition of a 10% import tariff on capital goods, computer and telecommunications products,
- a reduction of export subsidies, previously set at up to 15%, to up to 10%,
- a reduction from 1% to 0.5% of a "wealth" tax on equity of more than U.S.\$100,000 coupled with a substantial expansion in the scope of this tax,
- a unification of employer social security contribution rates across sectors and
- improvements in the administration and collection of the value-added tax and income taxes.

In September of 1996, the Government approved revenue and spending measures to reduce the fiscal deficit (excluding privatizations) to less than U.S.\$6 billion in 1996, and authorized the issuance of new indebtedness up to U.S.\$4 billion. These measures included:

- establishing a uniform corporate income tax of 33% (an increase of 3%),
- changing personal income taxes from a scale of 11% to 30% to a scale of 6% to 33%,
- imposing an income tax on copyrights and
- increasing gas, oil and motor fuel taxes.

In December 1998, the Congress approved a tax reform law designed to promote employment, increase the tax base and eliminate the incentive to finance growth through the issuance of debt instead of equity. The tax reform package:

- extended the value-added tax to a number of activities thus far exempted, such as advertising and cable television subscriptions,
- increased excise taxes,
- increased corporate and personal income taxes from 33% to 35%,
- ended the deductibility from income taxes of interest payments and
- in exchange for these tax increases, reduced social security taxes paid by companies from 22% to 15.5%.

In December 1999, the Congress approved a package of tax increases expected to raise approximately U.S.\$2.0 billion in additional revenue during 2000. The tax package raises income and personal-property taxes and introduces new taxes on soft drinks, alcoholic beverages, cigarettes, airport use and private medical services. The Government expects that the additional revenues raised by these taxes will be used to reduce the Republic's fiscal deficit for 2000.

A substantial strengthening of the tax administration has accompanied the Government's tax reforms. The Government has increased penalties for non-compliance, but tax evasion continues to be a significant problem. The Government has implemented new billing procedures in order to facilitate more effective control over the tax collection process. In addition, the Government has significantly improved auditing operations to make them more

efficient and has implemented systems that have been successful in monitoring increasing numbers of the largest taxpayers.

Expenditures

Government expenditures increased each year between 1995 and 1999. A primary objective of the Government is to maintain fiscal discipline. Measures to achieve this goal have included privatizations and the sale of concessions for certain public services in order to shift costs from the public to the private sector. This process has resulted in increased spending by the private sector on infrastructure and services. As a result, public expenditures in this area have declined from an average of 26.0% of total annual public expenditures between 1980 and 1988 to 22.0% of total public expenditures in 1999.

The following table sets forth the composition of public expenditures for the periods indicated.

Composition of Public Sector Expenditures(1)

<u>Purpose of expenditure</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>As of June 30, 2000(2)</u>
	(percentage of total)					
General administration.....	10.6%	9.6%	8.1%	7.9%	9.2%	5.8%
Defense and security.....	8.2	8.1	7.8	7.3	7.2	6.8
Justice.....	1.6	1.7	1.8	1.7	1.7	1.7
Social programs.....	63.7	64.3	62.6	63.0	59.6	62.3
Social security.....	48.8	41.1	39.4	41.3	39.7	41.4
Culture, education, science and technology.....	7.3	7.5	7.8	7.6	7.3	8.2
Health.....	2.4	8.7	7.5	6.6	6.3	6.0
Housing.....	2.4	2.2	2.4	2.2	1.7	2.1
Social welfare.....	2.6	3.9	4.6	4.3	3.9	3.9
Labor.....	0.2	0.8	1.0	0.8	0.7	0.6
Public expenditure on economic infrastructure and services.....	6.5	6.4	6.3	6.1	4.7	5.0
Public debt.....	9.5	10.0	13.5	14.1	17.6	18.4
Total.....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Includes actual expenditures made during the specified year and agreements made in the specified year to make expenditures in future years.

(2) Preliminary figures.

Source: Ministry of Economy.

As a result of various court rulings in favor of retirees, the Government adjusted social security benefit payments to compensate for inflation. This adjustment, plus the aggregate amount owed to retirees who had successfully brought claims for compensation, caused an increase in social security expenditures from U.S.\$12.5 billion in 1993 to U.S.\$15.2 billion in 1994. Annual social security expenditures grew to U.S.\$15.6 billion in 1995 before falling slightly in 1996 to U.S.\$15.4 billion. Social security expenditures increased to U.S.\$17.2 billion in 1997 as a result of the transfer of certain social security payments from the provinces to the federal Government as a result of the merger of provincial social security systems into the national system. Since then social security expenditures have remained relatively constant at U.S.\$17.5 billion in 1998 and U.S.\$17.4 billion in 1999.

The increase in social security expenditures between 1993 and 1994 benefited mainly those retirees with higher social security incomes. Government funds became insufficient to cover this increase, and a policy to protect retirees with lower social security income became necessary. As a result, the *Ley de Solidaridad Previsional* (the Social Security Solidarity Law) was passed in March 1995. This law:

- required that pension payments be limited to the funds available in the social security system,

- gave priority to payment of current social security payments over the payment of compensation for back payments and
- established that if sufficient funds became available in the future, pensioners with lower social security incomes would be granted an increase.

The 2000 Budget

On December 28, 1999, Congress passed the Republic's budget for the year 2000. The budget assumes real GDP growth of 2.0%, a 1.6% increase in prices of goods and services and a fiscal deficit (on a cash basis and including the surplus of the Banco Central) of U.S.\$4.5 billion. This assumed deficit equals 1.5% of assumed real GDP and conforms to the Fiscal Solvency Law of 1999.

Social Security Reform

On July 1, 1994, a law for the reform of the social security system went into effect. This law replaced the state-operated system and provided:

- a basic pension, provided by the Government, equivalent to 2.5 times the employee's average obligatory contributions, payable to individuals who made contributions for 30 years and
- an additional pension.

In May 1994, employees were given the opportunity to elect whether the additional pension would be provided by a private pension fund or the Government. Employees who entered the labor market after July 1, 1994, however, must invest in a private pension fund. Employees are obligated to contribute 11% of their wages to the private pension fund or to the state-operated system, as applicable. Employers continue to contribute 16% of each employee's wages to finance pension payments by the Government. The employer contribution is being reduced gradually in certain provinces as part of the Federal Pact. The social security reform has reduced Government revenues to the extent employees have chosen to contribute to a private pension plan. In addition to transferring the bulk of the operation of the social security system from the public sector to the private sector and introducing a simplified system expected to reduce the level of evasion, the reforms have had a significant effect on capital markets, which have benefited from investment by private pension funds. Assets held in private pension funds as of June 30, 2000 amounted to approximately U.S.\$18.7 billion.

The following table illustrates the evolution of the amount of assets held in private pension funds as of December 31 of each year indicated and during the first two quarters of 2000.

Assets Held in Private Pension Funds

<u>Date</u>	<u>Total funds</u> (millions of dollars)
1995	\$ 2,497
1996	\$ 5,326
1997	\$ 8,827
1998	\$ 11,526
1999	\$ 16,787
2000	
First quarter	\$ 18,289
Second quarter.....	\$ 18,714

Source: Superintendencia de AFJP.

The growth in pension fund assets during these periods is due both to the increase in the number of employees participating in the pension system and to the ongoing contributions of participants.

PUBLIC SECTOR DEBT

Overview

Argentina's total gross public debt has increased from U.S.\$87.1 billion (33.8% of GDP) in 1995 to U.S.\$121.9 billion (43.1% of GDP) in 1999 as a result of an increase in the fiscal deficit, increased amortization payments and consolidation of previously incurred debt. As of June 30, 2000, 75.1% of the total gross public debt was owed to bondholders (including commercial bank bondholders), 20.0% to multilateral and governmental creditors and the rest to suppliers and other creditors. Argentina's public sector debt is financed primarily through the issuance of debt denominated in foreign currencies. As of June 30, 2000, total net public debt (net of total Government financial assets related to debt operations) was U.S.\$121.9 billion and total gross public debt was U.S.\$123.5 billion. As of June 30, 2000, U.S.\$117.4 billion of total gross public debt was denominated in currencies other than the peso, principally in U.S. dollars.

Prior to 1993, Argentina experienced a number of external payment crises. As a result, Argentina negotiated various debt restructuring programs. Since 1993, Argentina has made all payments with respect to its domestic and foreign currency denominated debt on a timely basis. Argentina has instituted and intends to maintain various efforts to manage its debt portfolio in order to improve yield and maturity profiles. The Republic has used proceeds from certain debt issue to buy back outstanding debt through a variety of methods, including public auctions in Argentina and repurchases of debt securities in the international open markets. Nonetheless, Argentina's debt burden remains high.

The following table sets forth figures for Argentina's public sector debt for the periods indicated.

	As of December 31,					As of June 30, 2000
	1995	1996	1997	1998	1999	
	(millions of dollars except as noted)					
Peso-denominated public debt(1)	\$ 5,882	\$ 8,168	\$ 10,286	\$ 8,988	\$ 8,137	\$ 6,132
Foreign currency denominated public debt	81,209	88,937	90,815	103,389	113,740	117,390
Collateral and other financial assets(2)	(3,543)	(3,450)	(2,984)	(6,852)	(2,483)	(1,669)
Net foreign currency denominated debt	77,666	85,487	87,831	96,537	111,257	115,721
Total net public debt	83,548	93,655	98,117	105,505	119,394	121,853
Total gross public debt.....	\$ 87,091	\$ 97,105	\$ 101,101	\$ 112,357	\$ 121,877	\$ 123,522
Total gross public debt as % of GDP.....	33.8%	35.7%	34.5%	37.7%	43.1%	N/A

(1) Figures for 1995 and 1996 include only public bonds denominated in pesos. Beginning in 1997, figures include all types of debt denominated in pesos.

(2) Figures for 1995 to 1997 include only collateral for Brady Bonds. Figures for 1998, 1999 and June 30, 2000 include collateral for Brady Bonds and other financial assets.

Source: Ministry of Economy.

The following table sets forth a summary of the foreign public debt of Argentina by currency of denomination.

Summary of Public Debt Denominated in Foreign Currency, By Currency

	As of December 31,					As of
	1995	1996	1997	1998	1999	June 30, 2000
	(millions of dollars)					
U.S. Dollars	\$ 54,854	\$58,547	\$ 65,923	\$ 71,848	\$ 80,692	\$ 79,146
Euros	--	--	--	--	23,743	31,929
Deutsche Marks	6,540	9,429	10,543	11,800	--	--
Japanese Yen	5,512	5,767	6,818	7,130	7,200	5,375
Other	<u>14,303</u>	<u>15,194</u>	<u>7,532</u>	<u>12,638</u>	<u>2,105</u>	<u>940</u>
Total	<u>\$ 81,209</u>	<u>\$88,937</u>	<u>\$ 90,816</u>	<u>\$103,389</u>	<u>\$113,740</u>	<u>\$117,390</u>

Source: Ministry of Economy.

The following table sets forth outstanding foreign debt for the dates indicated.

Public Debt Denominated in Foreign Currencies

	As of December 31,					As of
	1995	1996	1997	1998	1999	June 30, 2000
	(millions of dollars)					
IMF	\$ 6,120	\$ 6,279	\$ 5,908	\$ 5,420	\$ 4,472	\$ 3,757
World Bank and IADB	9,253	10,072	10,865	13,676	15,804	15,766
Fonplata	11	15	17	19	29	30
FIDA	0	0	0	7	7	6
Paris Club(1).....	8,038	6,725	5,144	4,512	3,235	2,771
Bonds	52,458	60,673	64,554	73,706	83,588	88,224(2)
Other						
Other bilaterals.....	3,576	3,437	2,960	2,943	2,682	2,432
Suppliers	437	283	731	628	641	1,307
Private banks	<u>1,316</u>	<u>1,452</u>	<u>1,423</u>	<u>3,646</u>	<u>5,029</u>	<u>4,640</u>
Total.....	<u>5,329</u>	<u>5,172</u>	<u>5,114</u>	<u>7,217</u>	<u>8,353</u>	<u>8,379</u>
Gross public debt(3)	81,200	88,936	91,602	104,557	115,487	118,933
Collateral and other						
financial assets(4)	<u>(3,543)</u>	<u>(3,450)</u>	<u>(2,984)</u>	<u>(6,852)</u>	<u>(10,937)</u>	<u>(9,822)</u>
Net public debt.....	<u>\$ 77,666</u>	<u>\$ 85,486</u>	<u>\$ 88,618</u>	<u>\$ 97,705</u>	<u>\$104,550</u>	<u>\$109,111</u>

- (1) Does not include interest capitalized pursuant to an agreement in Round 5 of Paris Club negotiations, whereby the Paris Club creditors consented to capitalize interest on certain Paris Club indebtedness until March 1995. Such interest amounted to U.S.\$519 million from the end of 1993 until March 1995 and U.S.\$109 million from the end of 1994 until March 1995.
- (2) Includes capitalized interest from Bocones and Botesos and coupons from Bonex for U.S.\$30.5 million, which were payable but not redeemed as of June 30, 2000.
- (3) Includes World Bank, IMF and IADB peso-denominated public debts, which could not be separated from foreign currency denominated public debt.
- (4) The principal of the Par and Discount Bonds has been collateralized with U.S. Treasury Zero Coupon Bonds and *Kreditanstalt für Wiederaufbau* Zero Coupon obligations. In addition, 12 months of interest payments for the Par and Discount bonds denominated in U.S. dollars are fully collateralized while the Deutsche Mark Par and Discount Bonds are collateralized for less than 12 months of interest payments. Figures from 1998 on include collateral for Brady Bonds and other financial assets.

Source: Ministry of Economy.

The following table sets forth a list of Argentine public bonds denominated in foreign currencies outstanding as of June 30, 2000.

Public Bonds Denominated in Foreign Currencies (1)

	Public Sector Holdings (1)	Private Sector Holdings	Principal Amount	Amortizations	Outstanding Principal Amount
			(millions of dollars)		
BONEX 92	\$ 1,030.8	\$ 692.5	\$ 1,723.3	\$ 1,077.1	\$ 646.2
BOCON 1st Series (Pensioners)(2)	139.3	2,509.0	3,517.5	2,780.3	737.1
BOCON 2nd Series (Pensioners)(2)	74.2	2,176.6	3,018.2	1,318.4	1,699.7
BOCON 1st Series (Suppliers)(2)	2.9	1,116.6	1,486.9	474.3	1,012.7
BOCON 2nd Series (Suppliers)(2)		688.5	937.0		937.0
BOCON 3rd Series (Suppliers)		360.7	360.7		360.7
BONHID(2)	1.1	46.2	63.9	9.7	54.2
Bontes	266.5	12,353.8	12,620.3		12,620.3
Bonos-Pagare		1,525.2	1,525.2	190.4	1,334.8
Ferrobonos		5.5	5.5		5.5
Government Floating Rate Bond		1,184.0	1,184.0		1,184.0
Par Bonds	624.9	4,204.4	4,829.3		4,829.3
Discount Bonds	126.9	1,464.5	1,591.4		1,591.4
Floating Rate Bonds	508.1	5,803.9	6,312.0	1,139.4	5,172.6
Global Bond 2027	0.0	3,535.1	3,535.1		3,535.1
Global Bond 2019		1,433.5	1,433.5		1,433.5
Global Bond 2017	0.5	4,574.5	4,575.0		4,575.0
Global Bond 2009		1,750.0	1,750.0		1,750.0
Global Bond 2006		1,300.0	1,300.0		1,300.0
Global Bond 2005		1,000.0	1,000.0		1,000.0
Global Bond 2003	117.0	1,933.0	2,050.0		2,050.0
Global Bond 2001		1,200.0	1,200.0		1,200.0
Global Bond 2020		1,250.0	1,250.0		1,250.0
Global Bond 2010		1,000.0	1,000.0		1,000.0
Global Bond 2015		2,402.7	2,402.7		2,402.7
Global Bond/Zero Cupon		1,248.2	1,248.2		1,248.2
Eurobonds and other external bonds		28,511.9	28,511.9		28,511.9
Spanish Bonds		54.7	54.7		54.7
API and Now Money Notes		4.0	4.0	0.1	3.8
Pyme bond		0.7	0.7		0.7
Letes		<u>4,693.0</u>	<u>4,693.0</u>		<u>4,693.0</u>
Total(3)	<u>\$ 2,892.1</u>	<u>\$ 90,022.7</u>	<u>\$ 95,183.9</u>	<u>\$ 6,989.7</u>	<u>\$ 88,194.1</u>

(1) Amounts held by Government agencies and the Central Bank.

(2) Public Sector Holdings and Private Sector Holdings do not equal the Principal Amount because the Principal Amount includes capitalized interest.

(3) Includes capitalized interest from Bocones and Botesos, but excludes U.S.\$30.5 million of coupons from Bonex, which were payable but not redeemed.

Source: Ministry of Economy.

The following table summarizes the amortization schedule of Argentina's public sector foreign debt outstanding as of June 30, 2000.

Amortization of Total Public Sector Foreign Currency Debt(1)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006-2029</u>
	(millions of dollars)					
Bonds Denominated in European Currencies and Japanese Yen						
Eurobonds (Austrian Schillings).....	\$ 120			\$ 68		
Eurobonds (Swiss Francs)			184			
Eurobonds (Deutsche Marks)		482	662	722	843	2,107
Par Bonds (Deutsche Marks)						137
Discount Bonds (Deutsche Marks)						136
Eurobonds (Spanish Pesetas).....		113				
Eurobonds (Euros).....	801	801	1,837	2,402	1,319	5,118
Eurobonds (British Pounds).....	152					303
Eurobonds (Italian Lira)	243		243	790	486	1,022
Eurobonds (Japanese Yen)	847	471	188	1,035	471	386
Bonds Denominated in U.S. Dollars						
API						2
BOCON Prev. 1	298					
BOCON Prev. 2	751	569				
BOCON Prov. 1	148	148	148	148	148	197
BOCON Prov. 2	75	78	78	78	78	450
BOCON Prov. 3	39	52	52	52	52	77
BONEX 92	215	222				
Spread adjusted notes		311				
Capitalizable						2561
Spanish Bond.....						55
BCRH	6	6	6	6	6	19
Bond Floating Rate Note					1,000	
Bono 2029				4	4	100
Bonos-Pagare.....	934	173				
Bono YPF		222	296	296	296	74
Bonte 2001	1,271					
Bonte 2002		2,767				
Bonte 2003			1,694			
Bonte 2003			1,091			
Bonte 2004				2,898		
Bonte 2005					1,772	
Bonte 2027						1,128
Euroletra 2004				300		
FRB	1,035	1,035	1,035	1,035	517	
Global Bond 2001.....	1,200					
Global Bond 2003.....			2,050			
Global Bond 2005.....					1,000	
Global Bond 2006.....						1,300
Global Bond 2009.....						1,750
Global Bond 2010.....						1,000
Global Bond 2017.....						4,575
Global Bond 2015.....						2,403
Global Bond 2019.....						1,433
Global Bond 2020.....						1,250
Global Bond 2027.....						3,535
Discount.....						1,456
Par.....						4,692
Ferrobono						6
Zero Coupon	458	202	181	161		0
Total Bonds.....	8,593	7,651	9,745	9,997	7,992	37,270
International Organizations						
Paris Club	405	278	180	227	274	1,064
Other bilaterals	321	308	297	292	265	774

Other Creditors

Provedores	102	86	74	79	76	162
Commercial Banks.....	1,789	560	370	390	325	365
BID	417	1,507	1,148	506	467	2,917
BIRF	711	1,915	1,444	801	748	2,645
FONPLATA	6	5	4	3	3	6
FIDA.....	1	1	1	1	1	1
FMI.....	<u>1,239</u>	<u>767</u>	<u>430</u>	<u>343</u>	<u>257</u>	<u>29</u>
Total Foreign Currency Debt	\$ <u>13,585</u>	\$ <u>13,079</u>	\$ <u>13,693</u>	\$ <u>12,637</u>	\$ <u>10,408</u>	\$ <u>45,233</u>

(1) Does not include debt pending consolidation nor guarantees given to debtors outside the non-financial public sector.
Source: Ministry of Economy.

Debt Management Policy

Since 1996, Argentina has based its debt management policy on the following objectives:

- extending the debt amortization schedule,
- diversifying the sources of funding and increasing the base of investors,
- adopting a policy of pre-financing in order to reduce risks associated with the roll-over of existing debt maturities and
- developing the local market.

Argentina has engaged in several transactions designed to extend its debt amortization schedule and to reduce, in net terms, the amount of outstanding debt. In September 1997, Argentina participated in an exchange offer whereby it acquired:

- an aggregate original principal amount of approximately U.S.\$1.77 billion in Par Bonds, U.S.\$176.0 million in Discount Bonds and U.S.\$305.0 million in Floating Rate Bonds in exchange for 9.75% Global Bonds due 2027 (the "2027 Bonds") and
- an aggregate original principal amount of approximately U.S.\$25.0 million in Par Bonds and U.S.\$114.0 million in Discount Bonds in exchange for cash.

In June 1998, Argentina participated in an exchange offer whereby it acquired an aggregate original principal amount of approximately U.S.\$825.7 million in Par Bonds and U.S.\$43.2 million in Discount Bonds in exchange for U.S.\$685.1 million in 2027 Bonds.

In May 1999, Argentina participated in an exchange offer in which it acquired an aggregate original principal amount of approximately U.S.\$3.8 billion of mainly local bonds and Floating Rate Bonds in exchange for an aggregate original principal amount of U.S.\$2.4 billion in 11.25% Bontes due 2004 and approximately U.S.\$1 billion in 9.5% Bontes due 2001.

In June 2000, Argentina participated in an exchange offer in which it acquired an aggregate principal amount of approximately U.S.\$1,904.4 million in Par Bonds, U.S.\$1,082.1 million in Discount Bonds and U.S.\$316.9 million in Floating Rate Bonds in exchange for a combination of a U.S. dollar amount in cash and an aggregate principal amount of approximately U.S.\$2.4 billion in 11.75% Global Bonds due 2015.

Description of Debt and Debt Restructuring

Argentina experienced a number of external payment crises between the 1930s and the early 1990s, reflecting, among other things:

- adverse changes in terms of trade,

- relatively large debt burdens and
- the failure of the domestic economy to adjust rapidly and fully to international shocks such as the rapid increase in real interest rates experienced in the 1980s.

Total foreign indebtedness expanded significantly under the military regimes of the late 1970s and early 1980s. At the end of 1983, when the civilian Government of Raúl Alfonsín took office, total foreign debt was U.S.\$45 billion, more than double the level in the late 1970s. During the 1980s, private sector foreign debt was effectively assumed by the Government when the Government was unable to honor the terms of foreign exchange insurance programs initiated in 1981.

Commercial Banks

In 1985 and in 1987, Argentina negotiated the restructuring of U.S.\$34.7 billion of debt owed to commercial bank creditors. In addition to the banks extending new loans in the aggregate amount of approximately U.S.\$3 billion, two small bond issues emerged from this restructuring: “new money bonds” and “alternative participation instruments” (APIs), of which an aggregate total of approximately U.S.\$3.8 billion was outstanding as of June 30, 2000. Interest payments to bank creditors ceased in April 1988 and resumed on a partial basis until the refinancing of medium- and long-term commercial bank debt constructed under the Brady Plan (as described below).

Since 1990, approximately U.S.\$15.4 billion of Government debt, primarily commercial bank debt, has been tendered in connection with privatizations. See “The Argentine Economy—Deregulation of the Economy and Privatizations—Privatizations.”

The Brady Plan

In April 1992, Argentina announced a new refinancing agreement under the Brady Plan relating to medium- and long-term debt owed to commercial banks. The Brady Plan applied to an estimated U.S.\$28.5 billion of debt, including an estimated U.S.\$9.2 billion of interest in arrears. The Brady Plan effected a reduction of approximately U.S.\$3 billion in the face amount of Argentina’s foreign debt, as well as a reduction of 35% in the net present value of interest payments.

Over 96% of the commercial bank debt was refinanced pursuant to the Brady Plan. The Brady Plan provided for the issuance of Par Bonds, Discount Bonds and Floating Rate Bonds and a cash payout of U.S.\$700 million in exchange for previously outstanding commercial bank debt of U.S.\$28.5 billion, which included U.S.\$9.2 billion of interest in arrears. The Par Bonds:

- were issued in an aggregate principal amount of U.S.\$12.5 billion and DM284 million,
- have a 30-year maturity and
- pay interest at fixed rates rising from 4% to 6% in the seventh year, in the case of the U.S. dollar Par Bonds, and at a constant fixed rate of 5.87% for the Deutsche Mark Par Bonds.

The Discount Bonds:

- were issued in an aggregate principal amount of U.S.\$4.1 billion and DM282 million,
- have a 30-year maturity and
- pay interest at the rate of LIBOR for the relevant currency plus 0.813%.

The payment of the principal amount on the Par Bonds and the Discount Bonds at maturity is secured with U.S. Treasury and *Kreditanstalt für Wiederaufbau* Zero Coupon obligations. Interest payments for both the Par Bonds and the Discount Bonds denominated in U.S. dollars were collateralized up to an amount equivalent to 12 months’ interest. Interest payments for the Deutsche Mark Par and Discount Bonds were collateralized up to an amount equivalent to less than 12 months’ interest. The Floating Rate Bonds:

- were issued in a total amount of U.S.\$8.5 billion,
- carry an interest rate of 0.813% over six-month LIBOR and
- pay principal over a 12-year period.

As of June 30, 2000, U.S.\$4.8 billion in aggregate original principal amount of Par Bonds, U.S.\$1.6 billion in aggregate original principal amount of Discount Bonds and U.S.\$5.2 billion in aggregate original principal amount of Floating Rate Bonds remained outstanding.

IMF, IADB and World Bank

The IMF, the IADB and the World Bank have provided financial support conditional on the Government's compliance with stabilization and reform policies. The IMF has established performance criteria aimed at strengthening the fiscal situation and long-term solvency of Argentina. These criteria include limiting the expansion of domestic credit, limiting the accumulation of new debt denominated in foreign currencies and maintaining or increasing net international reserves. Generally, the World Bank and the IADB have made funding conditional on compliance with IMF criteria as well as other conditions.

IMF

The Government has entered into several agreements with the IMF since 1990. See "Public Sector Finances—Public Sector Accounts." The total outstanding amount of Argentina's indebtedness to the IMF as of June 30, 2000 was U.S.\$3.8 billion. The IMF reviews compliance with loan facilities on a quarterly basis. The first, third and fourth standby agreements were not fully disbursed due to non-compliance with performance criteria. Under the first four standby agreements, a total of 4.8 billion in Special Drawing Rights ("SDRs") was disbursed. The fifth standby agreement authorized drawings of up to SDR 780 million to support the Government's stabilization and reform program through June 1992. On March 31, 1992, the IMF approved a three-year SDR 2.48 billion extended fund facility that replaced the fifth standby agreement.

The sixth standby agreement was approved by the IMF on April 12, 1996 and authorized drawings up to SDR 720 million over the following 21 months. On September 16, 1996, the Government and the IMF agreed to a performance waiver with respect to the federal deficit target for 1996 and established new deficit targets for 1996 and 1997 of U.S.\$6 billion and U.S.\$4.5 billion, respectively.

On December 20, 1996, the Government entered into its seventh standby agreement with the IMF, which established new targets for net interest expenditures, a reduction of net domestic assets and new fiscal targets.

On February 4, 1998, the IMF approved the 1998 Extended Fund Facility for Argentina for the period 1998 through 2000 in the amount of U.S.\$2.8 billion. Among other targets, the accord between the IMF and Argentina required that Argentina not exceed a public fiscal deficit of U.S.\$3.85 billion for 1998. In addition, the agreement provided that if the twelve-month cumulative trade deficit of Argentina exceeded U.S.\$5.0 billion, the Government, in consultation with the IMF, would take appropriate corrective fiscal and credit policy measures. During January 1998, Argentina recorded a trade deficit of U.S.\$0.9 billion, raising the cumulative twelve-month merchandise trade deficit to approximately U.S.\$5.4 billion. As a result, representatives of the IMF met with the Government in late March and early April 1998 but decided that no specific corrective measures needed to be taken at that time. Representatives of the IMF and the Government met in July 1998 and decided once again that no specific corrective measures needed to be taken at that time. Argentina met the fiscal targets agreed with the IMF under the 1998 Extended Fund Facility. Argentina reserved the 1998 Extended Fund Facility for use in special or urgent circumstances and did not draw down on this facility.

A letter of intent for 1999 was submitted to the board of directors of the IMF in January 1999. According to that letter, the Government expected a fiscal deficit, excluding privatization proceeds, of U.S.\$2.95 billion during 1999. In May 1999, the IMF and Argentina agreed to amend the letter of intent for 1999. The amended letter established the following targets for 1999:

- a fiscal deficit of the Federal Government not to exceed U.S.\$5.1 billion,

- a ceiling of U.S.\$37.6 billion on non-interest expenditures of the Federal Government,
- a reduction in the Central Bank's domestic assets by no less than U.S.\$0.7 billion,
- a limit on the increase in the public sector debt to no more than U.S.\$6.2 billion and
- a limit on the increase in short term public sector debt to no more than U.S.\$1 billion.

On March 10, 2000, the International Monetary Fund approved a three-year credit facility of approximately U.S.\$7.4 billion for Argentina. This credit facility replaces the U.S.\$2.8 billion 1998 Extended Fund Facility. The terms of the U.S.\$7.4 billion credit facility require Argentina to meet certain quarterly targets with respect to levels of public indebtedness and the reduction of its fiscal deficit. As of June 30, 2000, Argentina had met all such targets. Argentina has reserved this three-year credit facility for use in special or urgent circumstances and does not otherwise intend to draw down on this facility in the normal course of operations.

World Bank

The World Bank approved loans to Argentina totaling U.S.\$1.3 billion in 1995, U.S.\$946 million in 1996 and U.S.\$1.2 billion in 1997 to support a variety of projects, including:

- structural reforms of the health system,
- environmental protection,
- improvement of provincial roads,
- the transfer of provincial social security systems to the national system and
- measures to combat unemployment.

As of August 31, 1998, the World Bank had approved an additional U.S.\$392 million in loans for provincial structural reforms and improvement of agricultural production. As of August 31, 1998, the World Bank had disbursed approximately U.S. \$4.5 billion of these loans to Argentina. During 1999 and the first half of 2000, the World Bank disbursed an additional U.S.\$1.9 billion to Argentina.

On November 10, 1998, the World Bank approved two loans to Argentina in an aggregate principal amount of approximately U.S.\$3 billion. Argentina may draw down the first loan, in the amount of U.S.\$2.5 billion, in three installments. Argentina drew down U.S.\$1 billion in the third quarter of 1998 and drew down an additional U.S.\$1 billion during the third quarter of 1999 and may draw down the remaining U.S.\$500 million during the third quarter of 2000. Argentina has applied the proceeds of this loan towards meeting the financing requirements of the Argentine Treasury and to enhance the standby repurchase facility of Central Bank by providing it with additional funds to be used towards meeting margin calls. In addition, during 1999, the World Bank approved loans to Argentina of U.S.\$689 million. As of September 21, 2000, U.S.\$27.9 million of these loans had been disbursed.

IADB

During 1994, the IADB approved loans to Argentina in excess of U.S.\$1.1 billion to refinance projects relating to water, utilities, energy, sanitation, agricultural development, education and health. During 1995, the IADB granted loans in the amount of U.S.\$1.3 billion, U.S.\$500 million of which was used to support a fiduciary fund to finance reforms in the financial sector. In 1996 and 1997, the IADB approved approximately U.S.\$470 million and U.S.\$1.1 billion in loans, respectively, primarily to combat unemployment and to support social security reforms in the provincial areas and financial and social reforms of provincial governments. As of August 31, 1998, the IADB had approved an additional U.S.\$636 million in loans to Argentina, primarily to finance environmental protection, urban renewal projects and reform of the judicial system. As of August 31, 1998, the IADB had disbursed approximately U.S.\$2.3 billion of these loans to Argentina. During 1999 and the first half of 2000, the IADB disbursed to Argentina an additional U.S.\$1.4 billion.

In December 1998, the IADB approved a loan to Argentina in an aggregate principal amount of U.S.\$2.0 billion. The IADB disbursed U.S.\$1.0 billion of that loan during the fourth quarter of 1998, an additional U.S.\$600 million during the third quarter of 1999 and the remaining U.S.\$400 million during the third quarter of 2000. Argentina applied the proceeds of this loan towards meeting the financing requirements of the Argentine Treasury. In addition, during 1999, the IADB approved loans to Argentina of U.S.\$698.5 million. During the first half of 2000, the IADB approved loans to Argentina of U.S.\$105 million. As of June 30, 2000, only U.S.\$7.7 million of these loans had been disbursed.

Paris Club

Argentina restructured debt due to the Paris Club, a group of sovereign creditors, in four separate agreements in 1985, 1987, 1989 and 1991. For the bulk of these agreements, new maturities averaged 10 years, with average grace periods of approximately five and one-half years. On July 21, 1992, Paris Club creditors agreed to reschedule part of the principal and interest payments falling due from July 1992 to March 1995. Argentina will repay the U.S.\$2.7 billion rescheduled under this arrangement over a 13-year period, which began in May 1996, with a rising amortization schedule. The amounts rescheduled under the 1992 agreement and the previous agreements totaled an aggregate amount of U.S.\$9.0 billion. As of June 30, 2000, Argentina had U.S.\$2.8 billion in debt outstanding to Paris Club creditors and had made all payments to Paris Club creditors on a timely basis.

Bonex

Bonex are 10-year, LIBOR based, U.S. dollar denominated bonds that pay interest semi-annually and principal annually. Argentina has always paid scheduled interest and principal payments on Bonex fully and promptly. Bonex are quoted on the Buenos Aires Stock Exchange and the over-the-counter market and may be transferred freely within and outside Argentina. The approximately U.S.\$0.6 billion Bonex outstanding as of June 30, 2000 consists entirely of Bonex 92, the proceeds of which were allocated primarily to the Central Bank as well as to other public sector entities for capitalization purposes.

Euro and Other External Bonds

During 1999, Argentina raised U.S.\$11.9 billion of debt issued in the form of external bonds, including U.S. dollar-denominated global bonds, euro-denominated bonds and yen-denominated bonds.

Between January 1, 2000 and September 18, 2000, Argentina issued (or received commitments for) U.S.\$18.9 billion of debt (including U.S.\$5.4 billion of debt issued under exchange offers), including:

- U.S.\$6.3 billion of U.S. dollar-denominated global bonds (including U.S.\$2.4 billion of debt issued under an exchange offer);
- U.S.\$4.9 billion of euro-denominated bonds;
- U.S.\$1.1 billion of yen-denominated bonds; and
- U.S.\$6.6 billion of debt issued in the domestic market in the form of *Bonos del Tesoro* (including U.S.\$3.0 billion *Bonos del Tesoro* issued under an exchange), *Pagare-Bonos* and a net increase in the stock of *Letras de Tesorería*.

The following table sets forth outstanding Eurobonds and other external bonds as of September 28, 2000 issued by Argentina in foreign markets since 1995.

Outstanding Eurobonds and Other External Bonds

<u>Year</u>	<u>Principal Amount</u> (millions)
1995	
9.25% Notes due 2000.....	DM 1,000
10.5% Bonds due 2002.....	DM 1,000
1996	
10.25% Bonds due 2003.....	DM 1,000
9.25% Global Bonds due 2001.....	U.S.\$ 1,000
13.25% Bonds due 2001(1).....	ITL 500,000
7.4% Bonds due 2006(1).....	Yen 23,000
11.25% Bonds due 2006.....	DM 1,000
9.0% Bonds due 2001(1).....	ATS 1,750
5.5% Bonds due 2001(1).....	Yen 90,000
11.75% Bonds due 2011.....	DM 1,000
11.5% Bonds due 2001.....	GBP 100
12.0% Bonds due 2016.....	DM 375
9.0% Bonds due 2003.....	DM 375
11.0% Bonds due 2006.....	U.S.\$ 1,000
11.0% Bonds due 2003(1).....	ITL 500,000
6.0% Bonds due 2005(1).....	Yen 50,000
11.75% Bonds due 2026(1).....	DM 500
7.0% Bonds due 2003.....	SFr. 200
5.0% Bonds due 2002.....	Yen 50,000
8.5% Bonds due 2005.....	DM 1,000

Year**Principal Amount**

(millions)

1997

10.0% Bonds due 2007(1)	ITL 600,000
11.75% Bonds due 2017	U.S.\$ 2,000
11.75% Bonds due 2007(1)	ARP 500
7.0% Bonds due 2004	DM 1,500
7.0% Bonds due 2004(1)	ATS 1,000
7.5% Bonds due 2002	ESP 20,000
4.4% Bonds due 2004(1)	Yen 50,000
Floating Rate Bonds due 2004(1)	ITL 500,000
10.0% Bonds due 2007(1)	GBP 200
8.75% Bonds due 2002(1)	ARP 500
Reopening of 8.375% Global Bonds due 2003	U.S.\$ 500
10.0% Bonds due 2007(1)	ITL 750,000
9.75% Bonds due 2027	U.S.\$ 2,250
9.25% Bonds due 2004(1)	ITL 750,000
9.0% Bonds due 2004(1)	ITL 375,000
8.0% Bonds due 2009	DM 1,000
8.0% Notes due 2000(1)	ITL 300,000
9.5% Bonds due 2002	U.S.\$ 500

1998

8.75% Notes due 2003(1)	EURO 400
Step-Down Notes due 2008(1)	DM 1,500
Reopening of 9.75% Bonds due 2027	U.S.\$ 500
Step-Down Notes due 2009(1)	ITL 750,000
Step-Down Notes due 2008	NLG 500
Step-Down Notes due 2008	FRR 1,500
Reopening of 11.75% Global Bonds due 2017	U.S.\$ 750
Floating Rate Adjustable Notes due 2005	U.S.\$ 1,000
8.125% Bonds due 2008	EURO 750
Reopening of 9.25% Global Bonds due 2001	U.S.\$ 200
Zero Coupon Bonds due 2028	EURO 750
Reopening of 9.75% Global Bonds due 2027	U.S.\$ 685
Step-Up Notes due 2010	DM 1,000
Floating Rate Bonds due 2005(1)	ITL 1,000,000
7.875% Bonds due 2005	DM 750
8.5% Bonds due 2010(1)	EURO 500
Reopening of 8.375% Global Bonds due 2003	U.S.\$ 300
Reopening of 11.375% Global Bonds due 2017	U.S.\$ 250
Step-Down Notes due 2003(2)	DM 500
Reopening of 11.375% Global Bonds due 2006	U.S.\$ 300
Reopening of 7.0% Bonds due 2003	CHF 100
11.0% Global Bonds due 2005(3)	U.S.\$ 1,000
Reopening of 11.375% Bonds due 2017	U.S.\$ 375

1999

11.375% Bonds due 2017	U.S.\$ 200
8.0% Bonds due 2002	EURO 100
Reopening of 8.0% Bonds due 2002	EURO 50
12.125% Bonds due 2019	U.S.\$ 1,000
Step-Down Bonds due 2008	EURO 350
8.875% Bonds due 2029	U.S.\$ 125
9.5% Bonds due 2004	EURO 300
Reopening of 9.5% Bonds due 2004	EURO 100
Step-Down Bonds Due 2008	EURO 250
Floating Rates Notes due 2004(1)	U.S.\$ 300
9.0% Bonds due 2006	EURO 450
9.0% Bonds due 2009	EURO 500

<u>Year</u>	<u>Principal Amount</u> (millions)
9.0% Bonds due 2009	EURO 150
11.75% Bonds due 2009	U.S.\$ 1,000
11.75% Bonds due 2009	U.S.\$ 500
11.75% Bonds due 2009	U.S.\$ 250
Step Down Bonds due 2004(1)	EURO 250
Step Down Bonds due 2004(1)	EURO 150
7.125% Notes due 2002(1)	EURO 200
8.5% Bonds due 2004	EURO 250
8.5% Bonds due 2004	EURO 100
Floating Rate Notes due 2003	EURO 100
8.5% Bonds due 2004	EURO 200
3.5% Bonds due 2009(1)	JPY 18,000
8.5% Bonds due 2001	EURO 250
Reopening of 8.5% Bonds due 2001	EURO 100
Reopening of 8.5% Bonds due 2004	EURO 100
Reopening of 8.5% Bonds due 2001	EURO 100
Reopening of 8.75% Bonds due 2003(1)	EURO 200
Floating Rate Bonds due 2004(1)	EURO 200
7.3% Bonds due 2001	EURO 150
7.3% Bonds due 2001	EURO 150
9.25% Bonds due 2002	EURO 250
9.25% Bonds due 2003	EURO 250
9.75 Bonds due 2003	EURO 250
10% Bonds due 2004	EURO 300
10% Bonds due 2004	EURO 100
Zero Coupon Bonds of various maturities	U.S.\$ 1,500
11.375% Bonds due 2017	U.S.\$ 500
2000	
10% Bonds due 2005(1)	EURO 250
Reopening of 10% Bonds due 2005(1)	EURO 400
8.125% Bonds due 2004(1)	EURO 500
9% Bonds due 2005(1)	EURO 750
9% Bonds due 2004(1)	EURO 500
10.25% Bonds due 2007(1)	EURO 750
9% Bonds due 2003	EURO 1,000
10.25% Bonds due 2030	U.S.\$ 1,250
Reopening of 12.125% Bonds due 2019	U.S.\$ 433
11.375% Bonds due 2010	U.S.\$ 1,000
11.75% Bonds due 2015	U.S.\$ 2,402
10% Bonds due 2007(1)	EURO 500
9.25% Bonds due 2004(1)	EURO 500
5.125% Bonds due 2004	JPY 60,000
Reopening of 9.25% Bonds due 2004(1)	EURO 500

(1) Issues made under the Republic's U.S.\$15 billion Medium-Term Note Programme.

(2) The bond has a put option at the fifth year, but if that option is not exercised, the bond will mature on November 19, 2008.

(3) Each bond has a warrant that allows the investor to buy an equal amount of 9.75% Global Bonds due 2027.

Source: Ministry of Economy.

Bocones

In accordance with the Debt Consolidation Law (Law 23,982), since 1991 the Government has issued six series of Bocones to pensioners and various private creditors in payment of amounts owed to such creditors. As of June 30, 2000, U.S.\$7.9 billion dollars in Bocones (U.S.\$4.4 billion in dollar-denominated Bocones and U.S.\$3.5 billion in peso-denominated Bocones) were outstanding. In August 1997, the Government authorized the issuance of a new series of Bocones on the same terms and conditions as set forth in the Debt Consolidation Law as reparation to the families of those who disappeared under the military Government and those who were imprisoned by the military Government during the period from 1976 through 1983. U.S.\$0.5 billion of this series was outstanding as of June 30, 2000.

Botes and Botesos

In 1990 and 1991, the Government issued several floating rate bonds with maturities of five and ten years in connection with the rescheduling of domestic debt. As of June 30, 2000, no Botes or Botesos remained outstanding.

Bontes, Letes, Bonos-Pagaré and Domestic Syndicated Loans

In April 1996, the Government implemented new measures designed to improve the functioning of the Argentine Treasury market, which was established in August 1994. The measures established a clearing house to handle all Treasury bill and Treasury bond transactions and a timetable for the regular public auction of Treasury bills and Treasury bonds. Under the new Treasury system, short-term issues of three-, six- or twelve-month maturities are known as Letes and bonds of medium- and long-term maturity are known as Bontes. Letes and Bontes may be denominated in either pesos or U.S. dollars. As of June 30, 2000, there were U.S.\$4.7 billion of Letes and U.S.\$12.6 billion of Bontes (including U.S.\$6.4 billion issued under exchanges in 1999 and 2000) outstanding.

In July 1999, the Republic began issuing Bonos-Pagaré, debt instruments that have two-year maturities and that are sold at monthly public auctions. As of June 30, 2000, there were U.S.\$1.1 billion of Bonos-Pagaré outstanding.

On January 12, 1998, the Government entered into a three-year loan agreement with a syndicate of eleven domestic banks that have participated in the development of the domestic treasury market, for an amount of U.S.\$2.0 billion, which amount was fully disbursed on January 14, 1998. This loan will be fully repaid in January 2001.

Debt Service

Argentina's amortization of its total gross public debt increased from U.S.\$5.4 billion in 1995 to U.S.\$16.4 billion, including U.S.\$4.2 billion of Letes, in 2000. Because the majority of Argentina's debt consists of foreign debt, changes in overseas interest rates can have a significant impact on Argentina's cost of funding and access to capital markets. Argentina's foreign debt remains high in relation to exports. Although lower inflation coupled with deregulation and trade liberalization have increased Argentina's export competitiveness, continuing current account deficits require high capital inflows, including new indebtedness.

DEBT RECORD

Prior to 1993, Argentina defaulted on and rescheduled its payments on some loans from governmental creditors, some loans from commercial banks and some bonds issued as part of previous debt restructuring with commercial banks. Since 1993, however, Argentina has made all payments with respect to its domestic and foreign currency denominated debt on a timely basis.

TABLES AND SUPPLEMENTAL INFORMATION
Foreign Currency Denominated Debt
Direct Debt

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value (SDR)</u>	<u>Outstanding as of June 30, 2000 (millions of dollars)</u>
International Monetary Fund	Various	3/31/92	Various	SDR	4,020	\$ 3,080
International Monetary Fund	Various	12/4/95	Various	SDR	<u>612</u>	<u>677</u>
Total					<u>4,632</u>	\$ <u>3,757</u>

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount	
					Face Value (SDR)	Outstanding as of June 30, 2000 (millions of dollars)
World Bank.....	(a)	5/06/86	6/15/01	USD	350	\$ 29
World Bank.....	(a)	9/12/86	9/01/01	USD	19	2
World Bank.....	(a)	11/26/86	10/15/00	USD	16	4
World Bank.....	(a)	6/26/87	9/01/01	USD	14	17
World Bank.....	(a)	7/29/87	8/15/02	USD	496	103
World Bank.....	(a)	12/21/87	5/15/02	USD	61	8
World Bank.....	(a)	6/30/88	9/15/02	USD	72	14
World Bank.....	(a)	2/23/89	9/01/03	USD	28	98
World Bank.....	(a)	11/14/88	9/15/03	USD	300	105
World Bank.....	(a)	11/18/88	6/15/03	USD	15	19
World Bank.....	(a)	11/18/88	11/15/03	USD	20	42
World Bank.....	(a)	11/29/88	8/15/03	USD	22	10
World Bank.....	(a)	11/29/88	5/15/03	USD	120	30
World Bank.....	(a)	2/23/89	9/01/03	USD	28	8
World Bank.....	(a)	2/15/91	10/15/07	USD	200	124
World Bank.....	(a)	4/08/91	3/01/08	USD	300	200
World Bank.....	(a)	4/08/91	3/01/08	USD	23	15
World Bank.....	(a)	8/13/91	9/15/08	USD	23	16
World Bank.....	(a)	8/13/91	3/15/08	USD	34	22
World Bank.....	(a)	8/14/91	9/15/08	USD	325	246
World Bank.....	(a)	1/07/93	11/15/09	USD	170	137
World Bank.....	(a)	2/02/93	1/15/10	USD	300	254
World Bank.....	(a)	2/16/93	5/01/08	USD	400	320
World Bank.....	(a)	8/30/93	11/01/08	USD	100	85
World Bank.....	(a)	2/02/93	3/15/08	USD	450	360
World Bank.....	(a)	7/14/94	7/01/04	USD	15	14
World Bank.....	(a)	6/10/94	6/15/03	USD	1	1
World Bank.....	(a)	11/21/94	3/15/09	USD	9	6
World Bank.....	(a)	11/29/94	1/15/09	USD	106	106
World Bank.....	(a)	12/29/94	12/31/02	USD	1	0
World Bank.....	(a)	3/24/95	3/01/10	USD	300	300
World Bank.....	(a)	3/24/95	11/15/09	USD	170	125
World Bank.....	(a)	5/05/95	8/01/10	USD	500	500
World Bank.....	(a)	10/18/95	5/15/10	USD	210	121
World Bank.....	(a)	10/18/95	10/15/10	USD	30	28
World Bank.....	(a)	10/18/95	2/15/13	USD	166	160
World Bank.....	(a)	12/05/95	2/15/08	USD	152	145
World Bank.....	(a)	12/05/95	10/1/10	USD	165	88
World Bank.....	(a)	12/05/95	4/15/10	USD	225	133
World Bank.....	(a)	1/19/96	9/15/10	USD	101	49
World Bank.....	(a)	3/26/96	10/01/10	USD	39	25
World Bank.....	(a)	4/26/96	7/15/11	USD	25	24
World Bank.....	(a)	4/26/96	7/15/11	USD	100	100
World Bank.....	(a)	4/26/96	9/15/09	USD	250	242
World Bank.....	(a)	6/06/96	9/15/10	USD	16	7
World Bank.....	(a)	8/07/96	11/15/10	USD	116	47
World Bank.....	(a)	9/04/96	3/30/03	USD	1	1
World Bank.....	(a)	10/15/96	12/15/05	USD	1	1
World Bank.....	(a)	12/17/96	2/15/12	USD	300	300
World Bank.....	(a)	2/21/97	2/15/11	USD	11	3
World Bank.....	(a)	4/17/97	4/15/12	USD	20	11
World Bank.....	(a)	4/17/97	2/15/12	USD	200	322
World Bank.....	(a)	4/17/97	10/01/11	USD	20	50

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u> (SDR)	<u>Outstanding as of June 30, 2000</u> (millions of dollars)
World Bank.....	(a)	4/17/97	9/15/11	USD	300	318
World Bank.....	(a)	7/07/97	9/15/12	USD	200	200
World Bank.....	(a)	9/23/97	7/15/12	USD	100	40
World Bank.....	(a)	9/23/97	6/15/12	USD	15	11
World Bank.....	(a)	12/10/97	6/15/12	USD	200	57
World Bank.....	(a)	11/21/97	11/15/12	USD	75	50
World Bank.....	(a)	11/21/97	11/15/12	USD	75	75
World Bank.....	(a)	1/20/98	11/15/12	USD	100	100
World Bank.....	(a)	1/20/98	11/15/12	USD	50	35
World Bank.....	(a)	1/20/98	3/15/12	USD	125	8
World Bank.....	(a)	6/5/98	9/15/12	USD	75	33
World Bank.....	(a)	6/5/98	2/15/13	USD	42	8
World Bank.....	(a)	10/20/98	8/15/13	USD	284	198
World Bank.....	(a)	11/11/98	4/15/03	USD	2,275	1,775
World Bank.....	(a)	10/20/98	5/15/13	USD	1	1
World Bank.....	(a)	10/20/98	3/15/13	USD	40	25
World Bank.....	(a)	1/28/99	4/15/13	USD	18	0
World Bank.....	(a)	3/29/99	3/15/14	USD	30	4
World Bank.....	(a)	7/15/99	4/15/14	USD	10	3
World Bank.....	(a)	8/25/99	10/15/13	USD	90	15
World Bank.....	(a)	10/26/99	2/15/14	USD	30	1
World Bank.....	(a)	11/29/99	6/15/14	USD	5	0
Total					<u>11,204</u>	\$ <u>7,325</u>

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u> (SDR)	<u>Outstanding as of June 30, 2000</u> (millions of dollars)
Inter American Development Bank	0.075	2/21/67	2/21/17	CAD	46	0
Inter American Development Bank	3.00	4/15/78	4/19/03	ARP	11	2
Inter American Development Bank	3.00	5/26/79	5/24/09	ARP	33	9
Inter American Development Bank	9.25	3/27/82	3/24/02	Various	116	20
Inter American Development Bank	4.00	3/27/82	3/24/02	ARP	15	3
Inter American Development Bank	9.25	3/21/84	3/21/04	USD	42	17
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	49	19
Inter American Development Bank	4.00	9/24/84	9/24/09	Various	29	20
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	9	4
Inter American Development Bank	4.00	9/24/84	3/24/00	USD	41	16
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	17	7
Inter American Development Bank	3.00	9/24/84	9/24/09	ARP	15	11
Inter American Development Bank	4.00	9/24/84	9/24/04	ARP	29	14
Inter American Development Bank	8.35	12/23/85	7/06/05	Various	33	18
Inter American Development Bank	4.00	1/20/87	1/20/12	ARP	1	1
Inter American Development Bank	7.53	1/20/87	1/21/12	USD	93	89
Inter American Development Bank	6.23	3/10/88	3/10/13	USD	97	33
Inter American Development Bank	7.76	3/10/88	3/10/88	USD	94	11
Inter American Development Bank	(b)	12/20/89	1/06/15	USD	4	4
Inter American Development Bank	(b)	3/22/91	3/22/13	USD	32	36
Inter American Development Bank	(b)	3/22/91	3/22/11	USD	155	191
Inter American Development Bank	(b)	11/15/91	11/15/11	USD	252	253
Inter American Development Bank	(b)	5/30/91	1/06/16	USD	54	63
Inter American Development Bank	(b)	4/07/92	10/07/13	Various	23	24
Inter American Development Bank	(b)	4/07/92	4/07/12	Various	233	231
Inter American Development Bank	(b)	4/07/92	4/07/13	Various	2	3

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u> (SDR)	<u>Outstanding as of June 30, 2000</u> (millions of dollars)
Inter American Development Bank	4.00	4/07/92	4/07/17	ARP	1	1
Inter American Development Bank	3.00	4/07/92	4/07/17	ARP	11	14
Inter American Development Bank	(b)	12/29/92	12/29/12	Various	310	338
Inter American Development Bank	(b)	12/29/92	12/29/12	USD	272	289
Inter American Development Bank	4.00	7/08/93	7/08/13	USD	16	21
Inter American Development Bank	4.00	9/22/93	3/21/99	ARP	19	5
Inter American Development Bank	(b)	3/21/94	3/21/14	USD	74	63
Inter American Development Bank	(b)	11/21/93	3/21/14	USD	4	5
Inter American Development Bank	(b)	9/15/94	12/06/14	Various	97	117
Inter American Development Bank	3.00	9/15/94	12/06/19	ARP	15	18
Inter American Development Bank	(b)	1/11/95	1/11/15	Various	36	40
Inter American Development Bank	4.00	6/05/95	6/05/20	ARP	23	23
Inter American Development Bank	4.00	6/05/95	6/05/20	USD	14	11
Inter American Development Bank	(b)	6/05/95	6/05/10	Various	582	688
Inter American Development Bank	(b)	6/28/95	6/28/15	Various	349	378
Inter American Development Bank	(b)	4/05/95	4/05/15	USD	233	249
Inter American Development Bank	(b)	3/26/96	9/26/15	USD	97	36
Inter American Development Bank	(b)	12/19/96	12/19/11	USD	248	319
Inter American Development Bank	(b)	9/10/96	9/10/16	USD	25	9
Inter American Development Bank	(b)	2/20/97	2/20/22	USD	79	12
Inter American Development Bank	(b)	3/16/97	3/16/17	USD	78	10
Inter American Development Bank	(b)	8/4/97	8/4/17	USD	81	19
Inter American Development Bank	(b)	8/4/97	8/4/17	USD	287	144
Inter American Development Bank	3.00	3/16/98	9/16/27	ARP	13	3
Inter American Development Bank	3.00	3/16/98	9/16/27	USD	13	4
Inter American Development Bank	(b)	2/11/98	2/11/18	USD	8	2
Inter American Development Bank	(b)	3/16/98	3/16/18	USD	202	6

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u> (SDR)	<u>Outstanding as of June 30, 2000</u> (millions of dollars)
Inter American Development Bank	(b)	7/22/98	1/22/17	USD	64	59
Inter American Development Bank	3.00	12/9/98	12/9/23	APP	8	11
Inter American Development Bank	(b)	8/8/98	8/8/23	USD	300	20
Inter American Development Bank	3.00	12/9/98	6/9/23	ARP	7	10
Inter American Development Bank	(b)	1/13/99	1/13/24	USD	6	1
Inter American Development Bank	(b)	11/1/99	11/1/19	USD	109	7
Total					<u>29,202</u>	<u>4,105</u>
Paris Club Round 3.....	Various	1989	2000	Various	3,338	147
Paris Club Round 4.....	Various	1991	2002	Various	1,263	546
Paris Club Round 5(c).....	Various	1992	2008	Various	2,733	2,078
Total					<u>7,334</u>	<u>2,771</u>
FONPLATA.....	Various	1983-95	2001-7	USD/ARP	26	30
Total					<u>26</u>	<u>30</u>
FIDA				SDR	7	6
Others	Various	Various	Various	USD	<u>2,620</u>	<u>\$ 2,807</u>

TABLES AND SUPPLEMENTAL INFORMATION
Foreign Currency Denominated Debt
Direct Debt
Foreign Currency Denominated Bonds

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u>	<u>As of June 30, 2000</u>
					(millions of dollars)	(millions of dollars)
Fixed Rate						
API.....	4.00%	3/15/88	3/15/13	USD	\$ 4	\$ 4
Par Bonds.....	4.00-6.00%	3/31/93	3/31/23	USD	12,489	4,692
Par Bonds.....	5.87%	3/31/93	3/31/23	DM	149	137
Eurobond.....	8.25%	8/02/93	8/02/00	USD	100	100
Global Bond.....	8.375%	12/20/93	12/20/03	USD	2,050	2,050
Global Bond.....	10.95%	11/01/94	11/01/99	USD	750	750
Eurobond.....	7.10%	12/15/94	12/15/99	YEN	124	124
Eurobond.....	9.25%	8/29/95	8/28/00	DMK	658	658
Eurobond(1).....	10.117%	9/06/95	9/06/00	USD	951	951
Eurobond.....	10.50%	11/14/95	11/14/02	DMK	695	482
Global Bond.....	9.25%	2/23/96	2/23/01	USD	1,200	1,200
Eurobond.....	7.40%	4/04/96	4/04/06	YEN	74	75
Eurobond.....	9.00%	4/18/96	4/18/01	ATS	167	120
Eurobond.....	7.40%	4/25/96	4/25/06	YEN	76	75
Eurobond.....	7.40%	5/15/96	5/15/06	YEN	66	66
Eurobond.....	11.75%	5/20/96	5/20/11	DMK	650	524
Eurobond.....	10.25%	2/06/96	2/06/03	DMK	680	482
Eurobond.....	13.25%	3/06/96	3/06/01	ITL	321	243
Eurobond.....	11.50%	8/14/96	8/14/01	GBP	155	152
Eurobond.....	9.00%	9/19/96	9/19/03	DMK	248	181
Eurobond.....	12.00%	9/19/96	9/19/16	DMK	248	181
Eurobond.....	11.25%	4/10/96	4/10/06	DMK	662	481
Global Bond.....	11.00%	10/09/96	10/09/06	USD	1,300	1,300
Eurobond.....	11.00%	11/05/96	11/05/03	ITL	328	243
Eurobond.....	6.00%	11/12/96	3/24/05	JPY	448	471
Eurobond.....	11.75%	11/13/96	11/13/26	DMK	332	241
Eurobond.....	7.00%	12/04/96	12/04/03	CHF	115	184
Eurobond.....	5.50%	5/07/96	3/27/01	JPY	842	847
Eurobond.....	5.00%	12/20/96	12/20/02	JPY	440	471
Eurobond.....	8.50%	12/23/96	12/23/05	DMK	642	482
Eurobond.....	10.00%	1/03/97	1/03/07	ITL	392	292
Global Bond.....	11.375%	1/30/97	1/30/17	USD	4,575	4,575
Eurobond.....	7.00%	3/18/97	3/18/04	DMK	890	722
Eurobond.....	7.00%	3/18/97	3/18/04	ATS	83	68
Treasury Bond.....	8.75%	5/6/97	5/09/02	USD	2,767	2,767
Eurobond.....	7.50%	5/23/97	5/23/02	ESP	139	113
Eurobond.....	4.40%	5/27/97	5/27/04	JPY	432	471
Eurobond.....	10.00%	6/25/97	6/25/07	GBP	333	303
Eurobond (Step-Down).....	10.00-7.625%	8/11/97	8/11/07	ITL	464	365
Global Bond.....	9.75%	9/19/97	9/19/27	USD	3,535	3,535
Eurobond (Step-Down).....	9.25-7.00%	10/21/97	3/18/04	ITL	433	365
Eurobond (Step-Down).....	9.00-7.00%	10/24/97	3/18/04	ITL	216	182
Eurobond.....	8.00%	10/30/97	10/30/09	DMK	580	482
Eurobond.....	8.00%	12/22/97	12/22/00	ITL	171	146
Eurobond.....	8.75%	2/04/98	2/04/03	EURO	648	565
Eurobond (Step-Down).....	11.00-8.00%	2/26/98	2/26/08	EURO	796	722

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount	
					Face Value	As of June 30, 2000
					(millions of dollars)	(millions of dollars)
Eurobond (Step-Down).	10.375-8.00%	3/12/98	3/12/09	ITL	416	365
Eurobond (Step-Down).	10.00-8.00%	4/3/98	2/26/08	EURO	236	214
Eurobond (Step-Down).	10.00-8.00%	4/3/98	2/26/08	EURO	237	215
Eurobond	8.125%	4/21/98	4/21/08	EURO	829	706
Zero Coupon		5/28/98	5/28/28	EURO	830	706
Eurobond (Step-Up).....	8.00-9.00%	7/6/98	7/6/10	DMK	530	482
Eurobond	7.875%	7/29/98	7/29/05	DMK	422	361
Eurobond	8.50%	7/30/98	7/30/10	EURO	554	471
Bontes	9.9375%	9/19/98	9/19/27	USD	1,131	1,128
Eurobond (Step-Down).	14.00-9.00%	11/19/98	11/19/08	DMK	299	241
Global Bond.....	11.00%	12/4/98	12/4/05	USD	1,000	1,000
Eurobond	8.00%	2/25/99	2/25/02	EURO	164	141
Eurobond (Step-Down).	15.00-8.00%	2/26/99	2/26/08	EURO	386	330
Eurobond	9.50%	3/4/99	3/4/04	EURO	435	377
Global Bond.....	12.125%	2/25/99	2/25/19	USD	1,433	1,433
Eurobond	8.875%	3/1/99	3/1/29	USD	125	125
Eurobond (Step-Down).	14.00-8.00%	4/6/99	2/26/08	EURO	268	235
Global Bond.....	11.75%	4/7/99	4/7/09	USD	1,750	1,750
Eurobond (Step-Down).	10.50-7.00%	5/10/99	3/18/04	EURO	426	377
Eurobond	9.00%	5/26/99	5/26/09	EURO	683	612
Eurobond	7.125%	6/10/99	6/10/02	EURO	206	188
Treasury Bond	11.25%	5/24/99	5/24/04	USD	2,898	2,898
Treasury Bond	9.50%	5/24/99	5/24/01	USD	1,271	1,271
Eurobond	9.00%	9/19/96	9/19/03	DMK	209	209
Eurobond	9.00%	4/26/99	4/26/06	EURO	477	477
Eurobond (Step-Down).	10.50%	5/19/99	3/18/04	EURO	412	412
Eurobond	3.50%	8/11/99	8/11/09	JPY	156	169
Eurobond	8.50%	9/03/99	9/03/01	EURO	583	518
Eurobond	7.30%	10/14/99	5/14/01	EURO	317	283
Global Bond (Zero Coupon)		10/15/99	10/15/04	USD	1,500	1,248
Eurobond	9.25%	10/21/99	10/21/02	EURO	528	471
Letes.....	9.66%	11/12/99	11/10/00	USD	529	529
Eurobond	9.75%	11/26/99	11/26/03	EURO	255	235
Eurobond	10.00%	12/07/99	12/07/04	EURO	408	377
Eurobond	5.40%	12/17/99	12/17/03	JPY	194	188
Eurobond	10.00%	1/07/00	1/07/05	EURO	653	612
Letes.....	8.19%	1/14/00	7/14/00	USD	355	355
Eurobond	10.25%	1/26/00	1/26/07	EURO	752	706
Global Bond.....	12.00-12.50%	2/03/00	2/01/20	USD	1,250	1,250
Letes.....	8.40%	2/11/00	8/11/00	USD	350	350
Bontes	12.125%	2/21/00	5/21/05	USD	1,979	1,772
Bontes	11.75%	2/21/00	5/21/03	USD	1,896	1,694
Global Bond.....	11.375%	3/15/00	3/15/10	USD	1,000	1,000
Letes.....	8.15%	3/17/00	3/16/01	USD	506	506
Letes.....	7.80%	3/17/00	9/15/00	USD	356	356
Eurobond	8.125%	4/04/00	10/4/04	EURO	479	471
Letes.....	7.02%	4/14/00	7/14/00	USD	250	250
Letes.....	8.10%	4/14/00	10/13/00	USD	376	376
Letes.....	7.21%	4/28/00	7/28/00	USD	255	255
Letes.....	7.96%	5/12/00	8/11/00	USD	250	250
Letes.....	8.47%	5/12/00	11/10/00	USD	350	350
Eurobond	9.00%	5/24/00	5/24/05	EURO	681	706

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u>	<u>As of June 30, 2000</u>
					(millions of dollars)	(millions of dollars)
Letes.....	8.68%	5/26/00	8/25/00	USD	254	254
Eurobond	5.125%	6/14/00	6/14/04	JPY	563	565
Global Bond.....	11.75%	6/15/00	6/15/15	USD	2,403	2,403
Letes.....	7.39%	6/16/00	9/15/00	USD	254	254
Letes.....	7.99%	6/16/00	12/15/00	USD	352	352
Eurobond	9.00%	6/20/00	6/20/03	EURO	1,000	942
Bonos A Tasa Capitalizable		6/29/00	6/29/20	USD	1	1
Letes.....	7.55%	6/20/00	9/29/00	USD	256	256
Total.....					\$ 86,504	\$ 69,689

TABLES AND SUPPLEMENTAL INFORMATION
Foreign Currency Denominated Debt
Direct Debt

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Face Value</u>	<u>As of June 30, 2000</u>
					(millions of dollars)	(millions of dollars)
Floating Rate						
Bonex 87.....	Floating	9/07/87	9/07/97	USD	1,000	11
Bonex 89.....	Floating	12/28/89	12/28/99	USD	4,642	11
BOCON Prev. 1 (2)	Floating	4/01/91	4/01/01	USD	6,278	737
BOCON Prov. 1.....	Floating	4/01/91	4/01/07	USD	3,061	1,012
BOCON Prov. 2 (2)	Floating	12/28/94	12/28/10	USD	960	937
Ferrobono.....	Floating	10/01/91	12/31/23	USD	400	6
BOCON Prev. 2 (2)	Floating	9/01/92	9/01/02	USD	5,001	1,700
Bonex 92(1).....	Floating	9/15/92	9/15/02	USD	4,000	655
BOCON Regalias						
Hidrocarburiferas	Floating	12/02/92	12/02/08	USD	3,054	54
Discount Bonds.....	Floating	3/31/93	3/31/23	USD	4,136	1,456
Discount Bonds.....	Floating	3/31/93	3/31/23	DM	169	136
Floating Rate Bonds.....	Floating	3/31/93	5/31/05	USD	8,467	5,173
Spanish Bonds	Floating	3/31/93	3/31/08	USD	55	55
Eurobond	Floating	8/15/96	8/15/99	USD	500	500
FRN	Floating	5/27/97	5/27/04	ITL	297	243
SPAN	Floating	12/16/97	11/30/02	USD	500	311
FRAN.....	Floating	4/13/98	4/10/05	USD	1,000	1,000
Eurobond	Floating	7/08/98	7/8/05	ITL	558	486
Eurobond	Floating	4/06/99	4/6/04	USD	300	300
Bocon Prev. 3 (2).....	Floating	12/28/98	12/28/10	USD	114	114
National Government						
Floating Rate Bonds.....	Floating	1/14/98	2/20/01	USD	813	267
Bonte 03.....	Floating	7/21/98	7/21/03	USD	1,091	1,091
Floating Rate Bond 2006	Floating	2/03/99	2/03/06	USD	2,000	1,184
Eurobond	Floating	4/06/99	4/06/04	USD	300	300
Bocon 3.....	Floating	4/15/99	4/15/07	USD	383	361
Floating Rate Bond 2001	Floating	7/14/99	7/14/01	USD	352	341
Badlar Bond.....	Floating	7/14/99	7/14/01	USD	74	74
Floating Rate Bond 2004	Floating	12/22/99	12/22/04	EURO	105	94
Floating Rate Bond 2001	Floating	11/02/99	11/02/01	USD	480	470
Badlar Bond.....	Floating	11/02/99	11/02/01	USD	11	11
Eurobond	Floating	12/22/99	12/22/04	EURO	202	188
Floating Rate Bond 2002	Floating	4/24/00	4/24/02	USD	197	173
Total.....					\$ <u>49,593</u>	\$ <u>18,535</u>

(1) Includes Bonex held by the Central Bank and the social security system.

(2) Outstanding amount includes capitalized interest according to terms and conditions of the bonds.

TABLES AND SUPPLEMENTAL INFORMATION
Peso Denominated Debt
Direct Debt

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount	
					Face Value	Outstanding as of June 30, 2000
					(millions of dollars)	(millions of dollars)
Bocon Prev. 1 (1).....	Floating	4/01/91	4/01/01	Pesos	\$ 2,682	\$ 210
Bocon Prov. 1 (1).....	Floating	4/01/91	4/01/07	Pesos	9,706	2,756
Bocon Prev. 2 (1).....	Floating	9/01/92	9/01/02	Pesos	2,762	566
Eurobond	11.75%	2/12/97	2/12/07	Pesos	500	500
Eurobond	8.75%	7/10/97	7/10/02	Pesos	500	428
National Government						
Bonds	Floating	1/14/98	2/20/01	Pesos	155	7
Bocon Prov. 2 (1).....	Floating	12/28/94	12/28/10	Pesos	4	4
Bocon Prov. 3	Floating	1/15/99	4/01/07	Pesos	152	117
Total.....					<u>\$ 16,461</u>	<u>\$ 4,589</u>

(1) Outstanding amount includes capitalized interest according to terms and conditions of the bonds.

TABLES AND SUPPLEMENTAL INFORMATION
Foreign Currency Denominated Debt
Indirect Debt

<u>Lender</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Currencies</u>	<u>Principal Amount</u>	
					<u>Amount Disbursed</u>	<u>Outstanding as of June 30, 2000</u>
					(millions of dollars)	(millions of dollars)
World Bank.....	(a)	12/21/87	5/15/02	USD	\$ 61	\$ 8
World Bank.....	(a)	11/29/88	5/15/03	USD	120	12
World Bank.....	(a)	6/30/88	9/15/02	USD	72	141
World Bank.....	(a)	11/18/88	6/15/03	USD	150	45
World Bank.....	(a)	11/29/88	8/15/03	USD	120	299
World Bank.....	(a)	11/18/88	11/15/01	USD	200	42
World Bank.....	(a)	3/30/89	4/01/04	USD	7	3
World Bank.....	(a)	8/13/91	11/15/07	USD	100	21
World Bank.....	(a)	8/13/91	3/15/08	USD	34	22
World Bank.....	(a)	9/19/92	5/15/09	USD	20	17
World Bank.....	(a)	11/16/92	11/01/09	USD	300	261
World Bank.....	7.43	10/01/93	6/01/08	USD	340	289
World Bank.....	(a)	11/29/94	1/15/09	USD	106	106
World Bank.....	(a)	10/18/95	8/15/10	USD	333	500
World Bank.....	(a)	4/26/96	9/15/09	USD	250	242
World Bank.....	(a)	6/06/96	9/15/10	USD	16	7
World Bank.....	(a)	10/20/98	5/15/13	USD	450	102
World Bank.....	(a)	11/16/98	5/15/13	USD	119	64
World Bank.....	(a)	1/28/99	4/15/13	USD	18	3
World Bank.....	(a)	3/29/99	3/15/14	USD	30	37
World Bank.....	(a)	7/15/99	4/15/14	USD	10	27
World Bank.....	(a)	8/25/99	10/15/13	USD	91	152
World Bank.....	(a)	10/26/99	2/15/14	USD	30	8
World Bank.....	(a)	11/29/99	6/15/14	USD	5	5
Total.....				USD	<u>2,912</u>	<u>1,905</u>
Inter American Development Bank	(b)	1/17/77	1/05/06	USD	196	17
Inter American Development Bank	3.00	4/15/78	4/19/03	ARP	27	5
Inter American Development Bank	7.50	11/06/79	11/06/99	USD	210	6
Inter American Development Bank	8.25	1/30/81	1/06/01	USD	90	10
Inter American Development Bank	8.25	5/15/81	1/06/01	USD	48	7
Inter American Development Bank	4.00	5/15/81	1/06/01	ARP	4	3
Inter American Development Bank	9.25	9/16/82	9/16/02	Various	37	8
Inter American Development Bank	3.00	9/16/82	9/16/07	ARP	15	6
Inter American Development Bank	(b)	12/06/85	5/24/05	Various	60	25
Inter American Development Bank	7.97	9/17/85	9/17/05	USD	40	14

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount	
					Amount Disbursed (millions of dollars)	Outstanding as of June 30, 2000 (millions of dollars)
Inter American Development Bank	3.00	12/23/85	01/06/06	ARP	11	4
Inter American Development Bank	(b)	9/17/85	9/17/05	USD	40	14
Inter American Development Bank	7.78	4/9/87	1/9/07	USD	75	4
Inter American Development Bank	(b)	11/18/88	11/18/14	USD	70	54
Inter American Development Bank	(b)	11/18/88	11/18/03	USD	106	37
Inter American Development Bank	(b)	11/17/88	11/17/08	Various	250	157
Inter American Development Bank	(b)	4/02/90	4/06/10	Various	250	174
Inter American Development Bank	3.00	5/30/91	8/05/16	Various	29	28
Inter American Development Bank	(b)	1/26/94	7/26/13	USD	130	125
Inter American Development Bank	(b)	2/14/94	3/21/14	Various	278	212
Inter American Development Bank	(b)	1/17/94	3/21/09	USD	30	31
Inter American Development Bank	(b)	12/30/93	3/21/14	USD	150	87
Inter American Development Bank	(b)	6/5/95	6/5/20	Various	250	153
Inter American Development Bank	(b)	8/4/97	8/4/17	USD	350	248
Inter American Development Bank	(b)	12/1/97	11/19/17	USD	96	57
Inter American Development Bank	(b)	2/05/98	2/05/18	USD	250	33
Inter American Development Bank	(b)	10/18/99	10/18/24	USD	<u>250</u>	<u>15</u>
Total.....					\$ <u>36,227</u>	\$ <u>1,399</u>

- (a) Floating World Bank rate + 0.5%.
(b) Floating IADB rate.
(c) The figure in the amount of debt was refinanced between 1992 and 1995.

ISSUER

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