

Information Memorandum

REPUBLIC OF ARGENTINA

U.S. \$4,137,309,000 Collateralized Discount Bonds Due 2023, USD Discount Series L
U.S. \$12,492,405,000 Collateralized Par Bonds Due 2023, USD Par Series L
Series L Floating Rate Bonds Due 2005

April 7, 1993

TABLE OF CONTENTS

	<u>PAGE</u>
SUMMARY OF THE SERIES L BONDS	1
USD DISCOUNT AND PAR BONDS	1
FLOATING RATE BONDS	3
THE SERIES L BONDS	5
FACE OF THE USD DISCOUNT AND PAR BONDS	5
TERMS AND CONDITIONS OF THE USD DISCOUNT AND PAR BONDS	6
FACE OF THE BEARER FLOATING RATE BONDS	25
TERMS AND CONDITIONS OF THE BEARER FLOATING RATE BONDS	29
FACE OF THE REGISTERED FLOATING RATE BONDS	45
TERMS AND CONDITIONS OF THE REGISTERED FLOATING RATE BONDS	49
THE REPUBLIC OF ARGENTINA	64
THE ARGENTINE ECONOMY	66
PUBLIC SECTOR DEBT	77
PUBLIC SECTOR FINANCES	81
ECONOMIC BASE	85
FOREIGN TRADE AND BALANCE OF PAYMENTS	92
FINANCIAL SYSTEM	95
SECURITIES MARKETS	97
FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS	99
SUBSCRIPTION AND SALE	101
GENERAL INFORMATION	102

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF THE REPUBLIC OF ARGENTINA TO SUBSCRIBE FOR OR PURCHASE, ANY OF THE SERIES L BONDS OR ANY OTHER SECURITIES.

ARGENTINA HAS TAKEN ALL REASONABLE CARE TO ENSURE THAT THE FACTS MATERIAL TO THE BONDS STATED OR REFERRED TO IN THIS INFORMATION MEMORANDUM ARE TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AS OF THIS DATE AND THAT THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY OF SUCH INFORMATION MATERIALLY MISLEADING. ARGENTINA ACCEPTS RESPONSIBILITY TO THE EXTENT IT HAS NOT TAKEN ALL REASONABLE CARE.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS INFORMATION MEMORANDUM AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY OR ON BEHALF OF ARGENTINA. THE DELIVERY OF THIS INFORMATION MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF THE SERIES L BONDS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COMES ARE REQUIRED BY ARGENTINA TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS. THIS INFORMATION MEMORANDUM MAY NOT BE USED FOR OR IN CONNECTION WITH AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. FOR A FURTHER DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS AND SALES OF SERIES L BONDS AND ON DISTRIBUTION OF THIS INFORMATION MEMORANDUM, SEE "SUBSCRIPTION AND SALE".

References herein to "U.S. dollars", "U.S.\$", "\$", "USD" and "dollars" are to United States dollars.
References herein to "pesos" are to the currency of Argentina.

SUMMARY OF THE SERIES L BONDS

The Republic of Argentina ("Argentina"), on its own behalf and on behalf of certain public sector obligors, has entered into a Discount and Par Bond Exchange Agreement, dated as of December 6, 1992 (the "Discount and Par Bond Exchange Agreement"), with the holders (the "USD Purchasers") of principal amounts ("Eligible Debt") outstanding under certain medium- and long-term credit agreements of Argentina and such public sector obligors. The Discount and Par Bond Exchange Agreement provides for the issuance by Argentina of two unlisted and four listed series (denominated in U.S. Dollars and Deutsche Mark (the "DMK Bonds")) of Collateralized Discount and Par Bonds, Due 2023. Argentina, on its own behalf and on behalf of certain public sector obligors, has also entered into a Floating Rate Bond Exchange Agreement, dated as of December 6, 1992 (the "Floating Rate Bond Exchange Agreement"), with the holders (the "Floating Rate Bond Purchasers" and, together with the USD Purchasers, the "Purchasers") of accrued and unpaid interest ("Eligible Interest") under certain medium- and long-term credit agreements of Argentina and such public sector obligors. The Floating Rate Bond Exchange Agreement provides for the issuance by Argentina of one unlisted and one listed series (denominated in U.S. Dollars) of Floating Rate Bonds, Due 2023. Notwithstanding the foregoing, only the listed series of Collateralized Discount and Par Bonds and Floating Rate Bonds will be issued on April 7, 1993 (the "Exchange Date"). This Information Memorandum describes the terms and conditions of Argentina's USD Discount Series L, Due 2023 (the "USD Discount Bonds"), Argentina's USD Par Series L, Due 2023 (the "USD Par Bonds" and, together with the USD Discount Bonds, the "USD Discount and Par Bonds") and the Series L Floating Rate Bonds, Due 2005 (the "Floating Rate Bonds" and, together with the USD Discount and Par Bonds, the "Series L Bonds").

Discount and Par Bonds

The USD Discount and Par Bonds of each series will be secured to the extent described herein pursuant to the Collateral Pledge Agreement, dated as of April 7, 1993 (the "Collateral Pledge Agreement"), made by Argentina in favor of the Federal Reserve Bank of New York, as Collateral Agent. Repayment of principal of the USD Discount and Par Bonds of each series at stated maturity will be secured by the pledge by Argentina of zero-coupon United States Treasury obligations in a face amount equal to the principal amount of the USD Discount and Par Bonds of such series and maturing on or before March 31, 2023, the stated maturity date of each series of USD Discount and Par Bonds (the "Principal Collateral"). Interest on the USD Discount and Par Bonds of each series in the amount of the Secured Interest Obligations (as defined in the Collateral Pledge Agreement) for such series set forth in the Collateral Pledge Agreement will also be secured by the pledge by Argentina of cash, permitted investments and earnings thereon (the "Interest Collateral"). The Secured Interest Obligations will initially equal approximately twelve months of interest on the USD Discount and Par Bonds. The permitted investments of Interest Collateral will consist of a pool of qualifying short- and medium- term investments denominated in U.S. Dollars and maturing no later than 30 days after the maturity date for the interest payments that the investments secure. See "Description of the USD Discount and Par Bonds--Collateral".

Interest on each series of USD Discount and Par Bonds will accrue from March 31, 1993 and will be payable on the interest payment dates set forth herein under "Description of the USD Discount and Par Bonds--Rate of Interest". Interest on the USD Discount Bonds will be payable at a floating rate equal to 13/16% per annum over the London interbank offered rate for eurodollar deposits. Interest on the USD Par Bonds will be payable at a fixed rate equal to 4.00% per annum during year 1, 4.25% per annum during year 2, 5.00% per annum during year 3, 5.25% per annum during year 4, 5.50% per annum during year 5, 5.75% per annum during year 6, and 6.00% per annum during year 7 and thereafter. The USD Discount and Par Bonds will mature at par on March 31, 2023 and may, at Argentina's option, be redeemed at par in whole or in part prior to maturity, provided that no default on principal and interest payments on the bonds issued under the Discount and Par Bond Exchange Agreement and the Floating Rate Bond Exchange Agreement has occurred and is continuing. See "Description of the USD Discount and Par Bonds--Optional Redemption and Repurchase".

The USD Discount and Par Bonds will be issued only in fully registered form, without coupons, and may not be exchanged or converted, directly or indirectly, into bearer form. Each USD Discount and Par Bond may be transferred and sold only as a unit that includes all interest and principal components and may not be separated,

directly or indirectly, into component interest and principal portions. The USD Discount and Par Bonds will be issued in denominations of U.S.\$250,000 and integral multiples of U.S.\$250,000 in excess thereof (or in certain other denominations specified in the USD Fiscal Agency Agreement dated as of April 7, 1993 among Argentina, Citibank, N.A., as Fiscal Agent, Authenticating Agent, Paying Agent, Registrar, Transfer Agent and Calculation Agent and Citibank (Luxembourg) S.A., as Authenticating Agent, Paying Agent and Transfer Agent (the "USD Fiscal Agency Agreement")) to the USD Purchasers.

Principal of the USD Discount and Par Bonds will be payable at the corporate trust office of Citibank, N.A., as Fiscal Agent, in New York City and at such other paying agencies as may be appointed by Argentina. Interest on the USD Discount and Par Bonds will be paid to holders of record on the record date. See "Description of the USD Discount and Par Bonds--Payments and Paying Agencies". Subject to certain exceptions, payments of principal and interest will be made without any deduction or withholding for or on account of Argentine Taxes or Paying Agency Taxes, as described herein under "Description of the USD Discount and Par Bonds--Taxes; Payment of Additional Amounts".

Application has been made to list the USD Discount and Par Bonds on the Luxembourg Stock Exchange.

The USD Discount and Par Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold, directly or indirectly, in the United States of America, its territories or possessions or to or for the account of any U.S. Person (as defined in Regulation S of the Securities Act) except pursuant to an effective registration statement under such Act or in a transaction not requiring registration under such Act. A further description of the restrictions on offers and sales of USD Discount and Par Bonds in the United States or to U.S. Persons is set forth below under "Subscription and Sale".

On the Exchange Date, a separate temporary global USD Discount and Par Bond ("Temporary Global Principal Bond") for each series of USD Discount and Par Bonds will be delivered to Citibank, N.A. as registrar and beneficial interests therein will be exchanged for definitive USD Discount and Par Bonds on or after the first Business Day occurring 30 days after the date on which the definitive bonds are received by the Fiscal Agent. The Temporary Global Principal Bonds will represent the USD Discount and Par Bonds issued to U.S. Persons and to Non-U.S. Persons (as defined in the USD Fiscal Agency Agreement) electing to purchase such bonds under Section 4(2) of the Securities Act in exchange for Eligible Debt reconciled prior to the Exchange Date. Separate global bonds for each series (the "Non-U.S. Global Principal Bonds") will also be deposited on the Exchange Date with Union Bank of Switzerland, as common depository for the Euroclear System and Cedel S.A., and interests therein will be exchangeable for definitive USD Discount and Par Bonds on or after the first Business Day occurring 30 days after the date on which the definitive bonds are received by the Fiscal Agent. The Non-U.S. Global Principal Bonds will represent the USD Discount and Par Bonds issued to Non-U.S. Persons (other than those electing to purchase such bonds pursuant to Section 4(2) of the Securities Act) in exchange for Eligible Debt that has been reconciled prior to the Exchange Date.

On the Exchange Date, separate global USD Discount and Par Bonds ("Escrow Global Principal Bonds") for each series, representing Eligible Debt that has not been reconciled prior to the Exchange Date, will be issued in the name of and delivered to a commercial bank, trust company, official bank or financial institution appointed by the closing agent (the "Escrow Agent") for credit to an escrow account, and shall be held in escrow and in trust for the benefit of the USD Purchasers. Argentina shall have no interest in the Escrow Global Principal Bonds held in the escrow account. The Escrow Global Principal Bonds may not be transferred except to a successor Escrow Agent and beneficial interests therein may not be transferred or exchanged for definitive bonds, except to permit commencement of an interpleader action (as further described below).

On the date on which the conditions specified in the Discount and Par Bond Exchange Agreement have been satisfied or waived (the "Principal Bonds Escrow Release Date"), occurring on or before September 1, 1993 or, if such day is not a Business Day, the next succeeding Business Day (the "Escrow Termination Date"), the

Temporary Global Principal Bonds and the Non-U.S. Global Principal Bonds will be increased to reflect the issuance of additional USD Discount and Par Bonds to USD Purchasers in exchange for Eligible Debt that, as a result of the reconciliation process, has been determined to be owned by such USD Purchasers. In addition, on the Principal Bonds Escrow Release Date, the principal amount of the Escrow Global Principal Bonds will be reduced to reflect (i) any determination that claims for Eligible Debt represented by such Escrow Global Principal Bonds are not valid and (ii) the issuance of additional USD Discount and Par Bonds to USD Purchasers on the Principal Bonds Escrow Release Date in exchange for Eligible Debt that has been determined to be owned by such USD Purchasers.

If the full amount of each Escrow Global Principal Bond has not been canceled on or before the Escrow Termination Date, then the Closing Agent is required under the Discount and Par Bond Exchange Agreement to take such actions as are necessary or appropriate in connection with the commencement of one or more interpleader proceedings with respect to such Escrow Global Principal Bond to determine (i) whether the claims for Eligible Debt represented by such Escrow Global Principal Bond are valid and (ii) if so, the rightful owner of such claims. Rules and procedures relating to the conduct and resolution of any such interpleader action are set forth in the Discount and Par Bond Exchange Agreement and the USD Fiscal Agency Agreement.

Floating Rate Bonds

Interest on each series of Floating Rate Bonds will accrue from March 31, 1993 and will be payable semi-annually in arrears on the interest payment dates set forth herein under "Description of the Bearer Floating Rate Bonds and Description of the Registered Floating Rate Bonds--Rate of Interest". Interest on the Floating Rate Bonds will be payable at a floating rate equal to 13/16% per annum over the London interbank offered rate for eurodollar deposits. The Floating Rate Bonds will mature at par on March 31, 2005 and may, at Argentina's option, be redeemed at par in whole or in part prior to maturity, provided that no default on principal and interest payments on the bonds issued under the Discount and Par Bond Exchange Agreement and the Floating Rate Bond Exchange Agreement has occurred or is continuing. See "Description of the Bearer Floating Rate Bonds and Description of the Registered Floating Rate Bonds--Redemption and Repurchase".

The Floating Rate Bonds will be issued both in fully registered form, without coupons ("Registered Floating Rate Bonds"), and in bearer form, with coupons ("Bearer Floating Rate Bonds"). The Bearer Floating Rate Bonds will be issued in denominations of U.S.\$250,000 and the Registered Floating Rate Bonds will be issued in denominations of U.S.\$250,000 and integral multiples of U.S.\$250,000 in excess thereof (or, in certain other denominations specified in the Floating Rate Bond Fiscal Agency Agreement dated as of April 7, 1993 among Argentina, Citibank, N.A., as Fiscal Agent, Authenticating Agent, Paying Agent, Transfer Agent, Registrar and Calculation Agent and Citibank (Luxembourg) S.A., as Authenticating Agent, Paying Agent and Transfer Agent (the "Floating Rate Bond Fiscal Agency Agreement") to Floating Rate Bond Purchasers. Bearer Floating Rate Bonds will be issued only to Floating Rate Bond Purchasers who are indicated as being Non-U.S. Purchasers (as defined in the Floating Rate Bond Fiscal Agency Agreement).

Principal of and interest on the Bearer Floating Rate Bonds will be payable to the bearer at the specified office located outside the United States of any of the Paying Agents. See "Description of the Bearer Floating Rate Bonds--Payments and Paying Agencies." Principal and interest on the Registered Floating Rate Bonds will be payable to holders of record of the Registered Floating Rate Bonds at the corporate trust office of Citibank, N.A., as Fiscal Agent, and at such other paying agencies as may be appointed by Argentina. See "Description of the Registered Floating Rate Bonds--Payments and Paying Agencies". Subject to certain exceptions, payments of principal and interest will be made without any deduction or withholding for or on account of Argentine Taxes or Paying Agency Taxes, as described herein under "Description of the Registered Floating Rate Bonds--Taxes; Payment of Additional Amounts" and "Description of the Bearer Floating Rate Bonds--Taxes; Payment of Additional Amounts".

Application has been made to list the Floating Rate Bonds on the Luxembourg Stock Exchange.

The Floating Rate Bonds have not been, and will not be, registered under the Securities Act and may not be offered or sold, directly or indirectly, in the United States of America, its territories or possessions or to or for the account of any U.S. Person except pursuant to an effective registration statement under such Act or in a transaction not requiring registration under such Act. A further description of the restrictions on offers and sales of Floating Rate Bonds in the United States or to U.S. Persons is set forth below under "Subscription and Sale".

Because Eligible Interest will not have been substantially reconciled prior to the Exchange Date, on the Exchange Date a temporary global Registered Escrow Floating Rate Bond (the "Escrow Global Floating Rate Bond") representing Eligible Interest (whether or not such Eligible Interest has been reconciled as of the Exchange Date) claimed to be exchangeable for Floating Rate Bonds will be issued in the name of and delivered to the Escrow Agent for credit to an escrow account, and shall be held in escrow and in trust for the benefit of the Floating Rate Bond Purchasers. Argentina shall have no interest in the Escrow Global Floating Rate Bond. The Escrow Global Floating Rate Bond may not be transferred except to a successor Escrow Agent and beneficial interests therein may not be transferred or exchanged for definitive bonds, except to permit commencement of an interpleader action (as further described below).

If the conditions specified in the Floating Rate Bond Exchange Agreement have been satisfied or waived, on the Escrow Termination Date and on any other date after the Exchange Date and prior to the Escrow Termination Date as of which the closing agent has determined that there has been sufficient reconciliation of Eligible Interest (each such date being an "Escrow Release Date"), Floating Rate Bonds shall be exchanged for Eligible Interest that, as a result of the reconciliation process, has been determined to be owned by such Floating Rate Bond Purchasers and shall be represented by the following global bonds: a temporary global Floating Rate Bond in bearer form, without coupons, representing Floating Rate Bonds issued to Non-U.S. Purchasers (the "Temporary Global Bearer Floating Rate Bond"), a permanent global Registered Floating Rate Bond, representing Floating Rate Bonds issued to Non-U.S. Persons that do not qualify as Non-U.S. Purchasers (other than those electing to receive such bonds pursuant to Section 4(2) of the Securities Act) (the "Permanent Global Registered Floating Rate Bond"), and a temporary global Registered Floating Rate Bond, representing Floating Rate Bonds issued to U.S. Persons and to Non-U.S. Persons electing to purchase such bonds under Section 4(2) of the Securities Act (the "U.S. Temporary Global Floating Rate Bond"). In addition, on each Escrow Release Date, the principal amount of the Escrow Global Floating Rate Bond will be reduced to reflect (i) any determination that claims for Eligible Interest represented by such Escrow Global Floating Rate Bonds are not valid and (ii) the issuance of Floating Rate Bonds to Floating Rate Bond Purchasers on such Escrow Release Date in exchange for Eligible Interest that has been determined to be owned by such Floating Rate Bond Purchasers as a result of the reconciliation process.

On or after the 40th day following the Exchange Date, beneficial interests in the Temporary Global Bearer Floating Rate Bond may be exchanged for beneficial interests in a permanent global Floating Rate Bond in bearer form, without coupons (the "Permanent Global Bearer Floating Rate Bond" and, together with the Permanent Global Registered Floating Rate Bond, the "Non-U.S. Global Floating Rate Bonds"), upon certification of non-U.S. beneficial ownership. The Temporary Global Bearer Floating Rate Bond and the Non-U.S. Global Floating Rate Bonds will be deposited with the Union Bank of Switzerland, as common depositary for the Euroclear System and Cedel S.A. on the Exchange Date. Beneficial interests in the Permanent Global Bearer Floating Rate Bond will be exchangeable for definitive Bearer Floating Rate Bonds. Beneficial interests in the Permanent Global Registered Floating Rate Bond may be exchanged for definitive Registered Floating Rate Bonds on or after the first Business Day occurring 30 days after definitive bonds are received by the Fiscal Agent. Beneficial interests in the U.S. Temporary Global Floating Rate Bond will be exchanged for definitive Registered Floating Rate Bonds on or after the first Business Day occurring 30 days after the definitive bonds are received by the Fiscal Agent.

If the full amount of the Escrow Global Floating Rate Bond has not been cancelled on or before the Escrow Termination Date, then the Closing Agent is required under the Floating Rate Bond Exchange Agreement to take such actions as are necessary or appropriate in connection with the commencement of one or more interpleader proceedings with respect to such Escrow Global Floating Rate Bond to determine (i) whether the claims for Eligible Interest represented by such Escrow Global Floating Rate Bond are valid and (ii) if so, the rightful owner of such claims. Rules and procedures relating to the conduct and resolution of any such interpleader action are set forth in the Floating Rate Bond Exchange Agreement and the Floating Rate Bond Fiscal Agency Agreement.

THE SERIES L BONDS

DESCRIPTION OF THE USD DISCOUNT AND PAR BONDS

The text appearing on the face of each USD Discount and Par Bond will read substantially as follows.

[THIS BOND HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATION S OF THE UNITED STATES SECURITIES ACT OF 1933), EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS BOND IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE FISCAL AGENCY AGREEMENT REFERRED TO BELOW.]¹

[ORIGINAL ISSUE DISCOUNT LEGEND, AS REQUIRED BY THE FISCAL AGENCY AGREEMENT.]

SALE OR TRANSFER IN BEARER FORM OF PARTICIPATIONS, OR BENEFICIAL INTERESTS, HEREIN MAY SUBJECT THE SPONSOR THEREOF TO SANCTIONS PURSUANT TO SECTION 4701 OF THE UNITED STATES INTERNAL REVENUE CODE.

THIS BOND IS SECURED AS TO A PAYMENT OF PRINCIPAL AT STATED MATURITY. THE COLLATERAL FOR PRINCIPAL IS NOT AVAILABLE TO PAY THE PRINCIPAL OF THE BONDS, ON ACCELERATION, REDEMPTION OR OTHERWISE, BEFORE STATED MATURITY OR TO PAY INTEREST. THIS BOND IS ALSO PARTIALLY SECURED AS TO PAYMENT OF INTEREST TO THE EXTENT PROVIDED IN THE COLLATERAL PLEDGE AGREEMENT REFERRED TO IN PARAGRAPH 6 OF THE TERMS AND CONDITIONS ON THE REVERSE OF THIS BOND.

[THIS BOND MAY NOT BE LISTED ON ANY STOCK EXCHANGE.]^{*}

[THIS BOND MAY NOT BE SOLD OR TRANSFERRED AND SHALL BE CANCELLED IN ACCORDANCE WITH SECTION 5(i) OF THE FISCAL AGENCY AGREEMENT. PAYMENTS IN RESPECT HEREOF SHALL BE MADE IN ACCORDANCE WITH SECTION 5(b)(ii) OF THE FISCAL AGENCY AGREEMENT.]^{**}

¹ This legend will be included on (i) all Bonds issued in connection with the U.S. Offering and (ii) all Bonds issued on transfer or exchange of, or in substitution for, any such Bonds until the legend may be removed in accordance with Section 6 of the Fiscal Agency Agreement (as defined herein).

^{*} USD Discount Series U and USD Par Series U only. However, the USD Discount Series L and USD Par Series L bonds will be listed on the Luxembourg Stock Exchange.

^{**} Insert for definitive Bonds exchanged for beneficial interests in a U.S. Temporary Escrow Global Bond.

No. _____

Principal Amount U.S. \$ _____ [2]

REPUBLIC OF ARGENTINA

Collateralized [3] Rate Bond Due 2023
([4])

THE REPUBLIC OF ARGENTINA ("Argentina"), for value received, hereby unconditionally promises to pay to [5], or registered assigns, the principal sum of [2] UNITED STATES DOLLARS (U.S.\$ [2]) on the Bond Maturity Date (as defined herein), on presentation and surrender of this Bond, and to pay, on each Interest Payment Date (as defined herein), interest in arrears on such principal sum at the applicable Rate of Interest (as defined herein) from the most recent Interest Payment Date to which interest has been paid, or if no interest has been paid from [6], until the principal hereof shall have been paid in full or payment thereof duly provided for and to pay interest on overdue amounts of principal and interest hereunder as provided in the Terms and Conditions (as defined herein).

The interest payable on any such Interest Payment Date will, subject to certain conditions set forth in the Terms and Conditions hereinafter referred to, be paid to the person in whose name this Bond is registered at the close of business in New York on the 15th day next preceding such Interest Payment Date.

Reference is made to the further provisions set forth under the Terms and Conditions of the Bonds endorsed on the reverse hereof (the "Terms and Conditions"), which shall for all purposes have the same effect as though fully set forth at this place.

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2. Insert face amount.
 3. Insert "Floating" for Discount Series L and Discount Series U and "Fixed" for each Par Series L and Par Series U.
 4. Insert, for each Series, the Series designation (i.e., USD Discount Series L, USD Discount Series U, USD Par Series L and USD Par Series U).
 5. Insert registered holder of this Bond.
 6. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

This Bond shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by an Authenticating Agent under the Fiscal Agency Agreement (as defined herein).

THIS BOND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, UNITED STATES.

IN WITNESS WHEREOF, Argentina has caused this Bond to be duly executed with the manual or facsimile signature of an Authorized Official in _____.

Dated: _____, 199_

THE REPUBLIC OF ARGENTINA

By _____
Title:

Certificate of Authentication:

This is one of the Bonds referred to in the within-mentioned Fiscal Agency Agreement.

CITIBANK, N.A., as
Authenticating Agent

OR

CITIBANK (LUXEMBOURG) S.A.,
as Authenticating Agent

By _____
Authorized Signatory

By _____
Authorized Signatory

Dated: _____

Dated: _____

The terms and conditions which will be endorsed on the reverse of each Collateralized USD Discount and Par Bond will read substantially as follows.

1. General.

(a) This Bond is one of a Series of duly authorized Collateralized [7] Rate Bonds Due 202[8] ([9]) of Argentina issued in definitive form and in the form of Global Bonds for each Series (the "Bonds") pursuant to the USD Fiscal Agency Agreement dated as of April 7, 1993 (as amended and in effect from time to time, the "Fiscal Agency Agreement") among Argentina, Citibank, N.A., as Fiscal Agent, Authenticating Agent, Paying Agent, Registrar, Transfer Agent and Calculation Agent and Citibank (Luxembourg) S.A., as Authenticating Agent, Paying Agent and Transfer Agent (said banks and their successors as such Fiscal Agents, Authenticating Agents, Registrar, Paying Agents, Transfer Agents and Calculation Agent being hereinafter called the "Fiscal Agent", "Authenticating Agent", "Registrar", "Paying Agent", "Transfer Agent" and "Calculation Agent", respectively), the terms of which are hereby incorporated herein by reference. Any Authenticating Agent, the Registrar, any Paying Agent, any Transfer Agent, the Calculation Agent and the Fiscal Agent are hereinafter sometimes collectively called the "Agents". Copies of (i) the Fiscal Agency Agreement and (ii) the Collateralized Discount Bond and Par Bond Exchange Agreement, dated as of December 6, 1992, among Argentina, the Persons named therein as Purchasers, Citibank, N.A., as Closing Agent, the financial institutions named therein as Debt Agreement Agents and Promissory Note Agent named therein are on file and available for inspection at the corporate trust offices of the Fiscal Agent in the Borough of Manhattan, City of New York and at such other offices of the Fiscal Agent as are from time to time designated as Paying Agents or Transfer Agents for the Bonds, and reference thereto is hereby made for a description of the rights and limitations of rights thereunder of the holders of the Bonds and the duties and immunities of the Agents. The Bondholders will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Terms and Conditions and the Fiscal Agency Agreement. The Fiscal Agent is not a trustee for the Bondholders and does not have the same responsibilities or duty to act for the Bondholders as a trustee. Capitalized terms used in this Bond have the meanings specified in the Fiscal Agency Agreement unless otherwise defined herein.

(b) The Bonds are issued only as fully registered Bonds, without coupons, in denominations of U.S.\$250,000 and multiples of \$250,000 in excess thereof or in other denominations permitted by the Fiscal Agency Agreement.

(c) This Bond is the direct, general and unconditional obligation of Argentina, and the full faith and credit of Argentina is pledged for the due and punctual payment of the principal of, and interest on, this Bond and for the due and punctual performance of all obligations of Argentina with respect hereto.

2. Payments and Paying Agencies.

(a) The principal of this Bond will be paid by Argentina to the registered holder hereof, when due, against presentation and surrender hereof at the office of the Fiscal Agent, and at the offices of such other Paying Agents as Argentina may appoint from time to time, by check drawn on, or (at the option of any holder of at least U.S.\$1,000,000 in aggregate principal amount of Bonds) by wire transfer to an account maintained by the registered holder hereof with a bank in London or New York City. Argentina has initially appointed the principal office of

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7. Insert "Floating" for Discount Series L and Discount Series U and "Fixed" for Par Series L and Par Series U.
 8. Insert the date which is the earlier of the 30th anniversary of the Exchange Date and March 31, 2023.
 9. Insert, for each Series, the Series designation (*i.e.*, USD Discount Series L, USD Discount Series U, USD Par Series L and USD Par Series U). Omit for U.S. Temporary Escrow Global Bond.

Citibank, N.A. in New York City and London, and of Citibank (Luxembourg) S.A. in Luxembourg, as Paying Agents at which the principal of this Bond will be payable (subject to applicable laws and regulations).

(b) Interest payable on this Bond on an Interest Payment Date (as defined below) will (except as provided in subparagraph (c) below) be paid to the holder of record of this Bond at the close of business in New York City on the record date for such Interest Payment Date by check mailed by the Fiscal Agent to the last address for such holder appearing on the register of Bonds or (at the option of each holder of at least U.S.\$1,000,000 principal amount of Bonds) by wire transfer to an account with a bank in New York City or London designated by such holder by the record date for such Interest Payment Date. The record date for each Interest Payment Date will be the 15th day before such Interest Payment Date.

(c) If and to the extent Argentina shall default in the payment of the interest due on any Interest Payment Date and such default shall not be cured within 30 days, such overdue interest shall (unless paid together with principal of this Bond in full other than on an Interest Payment Date) be paid to the person in whose name this Bond is registered at the close of business in New York City on a subsequent record date (which shall be not less than five Business Days (as defined herein) before the date of payment of such overdue interest) established by notice given by mail and publication by or on behalf of Argentina to Bondholders not less than 15 days before such subsequent record date. If interest is paid together with principal in full on a date which is not an Interest Payment Date, such interest shall be paid upon presentation and surrender of this Bond to the Fiscal Agent in New York City as provided in subparagraph (a) above.

(d) All payments with respect to this Bond will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts.

(e) If the due date for payment of any amount of principal of, or interest on, this Bond (or any additional amounts under Paragraph 5 below relating thereto) is not a Business Day (or, in the case of any such payment at the office of a Paying Agent outside New York City, is a day on which banks are required or authorized to close at such location), then payment need not be made until the next day which is a Business Day (or, in the case of any such payment at the office of a Paying Agent outside New York City, which is a day on which banks are not required or authorized to close at such location), and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In addition, if on the Bond Maturity Date, any amount of principal of, and interest on, this Bond due on such date is received by the Fiscal Agent on such date, but after 10:00 A.M. (local time) in any place of payment, the Fiscal Agent shall not be required to make payment on the Bond Maturity Date, may elect to pay such amount of principal and interest on the next Business Day and shall not be liable for any interest on funds received by it, and the holder of this Bond shall not be entitled to any further interest or other payment in respect of any such delay.

*[3. Rate of Interest.

(a) The Bonds shall bear interest at a Rate of Interest (as defined below) determined on the basis of the provisions set forth below. Interest shall be payable in arrears on each Interest Payment Date. Interest shall be computed on the basis of a year of 360 days composed of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed (without taking into account any postponement of any Interest Payment Date which falls on a day that is not a Business Day).

* For Par Bonds only.

The rate of interest payable from time to time in respect of the principal of this Bond which is not overdue is 4.00% per annum from [10] until [11], 4.25% per annum from [11] until [12], 5.00% per annum from [12] until [13], 5.25% per annum from [13] until [14], 5.50% per annum from [14] until [15], 5.75% per annum from [15] until [16] and 6.00% per annum thereafter (such rates of interest are collectively referred to as the "Rate of Interest").

(b) Subject to the provisions of Paragraph 2(e) hereof, in the event that any principal or interest on this Bond, or any other amount payable hereunder is not paid when due, Argentina shall pay interest (to the extent permitted by applicable law) on such unpaid principal or interest or unpaid other amount from the date such principal or interest or other amount is due until the date such principal or interest or other amount is paid in full, payable on demand, at a rate per annum equal to the sum of 1% plus the Rate of Interest as determined from time to time in accordance with Paragraph 3(a) above.

As used herein, "Interest Payment Date" means (i) [[17]], (ii) [[18]], (iii) each successive [[19]] and [[19]] of each calendar year through [[20]] 202_, (iv) the Bond Maturity Date, and (v) the date on which the principal amount of this Bond is paid in full.

As used herein, "Bond Maturity Date" means [21] or, if such date is not a Business Day, then the first Business Day following such date.

As used herein, "Business Day" means a day on which (i) dealings are carried on in the London interbank market, and (ii) banks are not required or authorized to close in New York City; except that, with respect to the Bond Maturity Date, the term "Business Day" shall mean a day on which (x) the United States Department of the Treasury and the Federal Reserve Bank of New York are not closed, (y) banks are not required or authorized to close in New York City and (z) dealings are carried on in the London interbank market.]

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10. Insert the date which is the earlier of the Exchange Date and March 31, 1993.
 11. Insert the date which is one year after the earlier of the Exchange Date and March 31, 1993.
 12. Insert the date which is two years after the earlier of the Exchange Date and March 31, 1993.
 13. Insert the date which is three years after the earlier of the Exchange Date and March 31, 1993.
 14. Insert the date which is four years after the earlier of the Exchange Date and March 31, 1993.
 15. Insert the date which is five years after the earlier of the Exchange Date and March 31, 1993.
 16. Insert the date which is six years after the earlier of the Exchange Date and March 31, 1993.
 17. Insert the date which is the six-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 18. Insert the date which is the 8-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 19. Insert the dates which are respectively the 14-month and 20-month anniversaries of the earlier of the Exchange Date and March 31, 1993.
 20. Insert the date which is four months prior to the earlier of the 30th anniversary of the Exchange Date and March 31, 2023.
 21. Insert the date which is the earlier of the 30th anniversary of the Exchange Date and March 31, 2023.

****[3. Rate of Interest.**

(a) For purposes of calculating the rate of interest payable on the Bonds, Argentina, pursuant to the Fiscal Agency Agreement, has appointed Citibank, N.A. as Calculation Agent. The rate of interest payable from time to time in respect of the Bonds (the "Rate of Interest") will be determined on the basis of the following provisions:

On the second London Banking Day (as defined below) (an "Interest Determination Date") before the commencement of an Interest Period (as defined herein), other than the second Interest Period and the Interest Period ending on the Bond Maturity Date, the Calculation Agent will determine the rate per annum at which deposits in U.S. Dollars for an interest period of six months commencing in two London Banking Days from such Interest Determination Date are offered by each of the banks named on the Reuters Screen LIBO Page to leading banks in the London interbank market as quoted on the Reuters Screen LIBO Page at 11:00 A.M. (London time) on such Interest Determination Date.

The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations (being at least two) as displayed on the Reuters Screen LIBO Page and as determined by the Calculation Agent. The term "London Banking Day" means a day on which banks are open for business in London and dealings are carried on in the London interbank market.

If, (a) on any Interest Determination Date, the Reuters Screen LIBO Page is not being displayed, or only one such offered quotation appears or (b) the relevant Interest Period is the Second Interest Period hereunder or the Interest Period ending on the Bond Maturity Date, then the following rule shall apply:

(i) The Calculation Agent shall request the principal London office of each of the Reference Banks (as defined herein) to provide the Calculation Agent with the rate per annum at which deposits in U.S. Dollars for the relevant Interest Period commencing in two London Banking Days from the Interest Determination Date are offered by each of them to leading banks in the London interbank market in an amount substantially equal to U.S.\$5,000,000 at 11:00 A.M. (London time) on such Interest Determination Date. The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations as determined by the Calculation Agent.

(ii) If only two of the Reference Banks provide such offered quotations, the Rate of Interest for the relevant Interest Period shall be determined as described above on the basis of the offered quotations of those Reference Banks providing such quotations.

(iii) If none or only one of the Reference Banks provides the Calculation Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be either (A) 13/16% per annum above the arithmetic mean of the U.S. Dollar lending rates which leading New York City banks, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting at 11:00 A.M. (London time) on the Interest Determination Date for the relevant Interest Period to the principal London offices of the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent, being so made or (B) in the event that the Calculation Agent cannot obtain at least two such quotations, 13/16% per annum above the lowest U.S. Dollar lending rate which leading banks in New York City, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting on the Interest Determination Date to leading international banks for the relevant Interest Period; provided that if the banks selected as aforesaid by the Calculation Agent are not providing the relevant quotations, the Rate of Interest for the next Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which the above paragraphs shall have applied.

** For Discount Bonds only.

The term "Reference Banks" means the principal office in London of each of Lloyds Bank Plc, The Bank of Tokyo, Ltd. and Citibank, N.A. The term "Reuters Screen LIBO Page" means the display designated as Page "LIBO" on the Reuters Monitor Money Rate Service ("Reuters") (or such other page as may replace, for the purpose of displaying London interbank offered rates of major banks, the LIBO page on that service).

As used herein, "Interest Payment Date" means (i) [[17]], (ii) [[18]], (iii) each successive [[19]] and [[19]] of each calendar year through [[20]], 202_, (iv) the Bond Maturity Date, and (v) the date on which the principal amount of this Bond is paid in full. If an Interest Payment Date falls on any day which is not a Business Day, such Interest Payment Date will be postponed to the next day which is a Business Day unless such next succeeding Business Day occurs in a subsequent calendar month in which case such Interest Payment Date will be the next preceding Business Day.

As used herein, "Bond Maturity Date" means [[21]] or, if such date is not a Business Day, the next following Business Day.

As used herein, "Business Day" means a day on which (i) dealings are carried on in the London interbank market, and (ii) banks are not required or authorized to close in New York City; except that, with respect to the Bond Maturity Date, the term "Business Day" shall mean a day on which (x) the United States Department of the Treasury and the Federal Reserve Bank of New York are not closed, (y) banks are not required or authorized to close in New York City and (z) dealings are carried on in the London interbank market.

As used herein, "Interest Period" means the period beginning on (and including) [[22]] and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) The Calculation Agent will, as soon as possible after 11:00 A.M. (London time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable on each U.S.\$1,000 (the "Minimum Multiple") in principal amount of Bonds (the "Interest Amount") for the relevant Interest Period. The Interest Amount shall be calculated by (i) applying the Rate of Interest to the Minimum Multiple, (ii) multiplying such amount by the actual number of days in the Interest Period and (iii) dividing by 360 and rounding to the nearest cent. The interest payable on unpaid principal amounts of Bonds shall be calculated by multiplying the Interest Amount by a fraction, the numerator of which is the unpaid principal amount of such Bond and the denominator of which is the Minimum Multiple and by rounding the resulting figure to the nearest U.S. Dollar (half a U.S. Dollar being rounded upwards). The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall, in the absence of manifest error, be final and binding upon all parties.

(c) The Calculation Agent will cause notice of the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be given to the Fiscal Agent, to the Luxembourg Stock Exchange or any other exchange on which the Bonds are listed (for so long as the Bonds are listed thereon) and to Argentina and shall use its best efforts to cause the Rate of Interest and the Interest Amount for each Interest

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17. Insert the date which is the six-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 18. Insert the date which is the eight-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 19. Insert the dates which are respectively the 14-month and 20-month anniversaries of the earlier of the Exchange Date and March 31, 1993.
 20. Insert the date which is four months prior to the earlier of the 30th anniversary of the Exchange Date and March 31, 2023.
 21. Insert the date which is the earlier of the 30th anniversary of the Exchange Date and March 31, 2023.
 22. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

Period and the relevant Interest Payment Date to be published in accordance with the notice provisions contained herein as soon as possible after each Interest Determination Date but in no event later than the fifth Business Day thereafter.

(d) Argentina agrees that, so long as any of the Bonds remains outstanding (or, if earlier, until all of the Bonds have become due and payable (whether at stated maturity, upon call for redemption or otherwise) and moneys for the payment thereof and all other amounts payable with respect to the Bonds shall have been made available at the corporate trust office of the Fiscal Agent), there shall at all times be three Reference Banks and a Calculation Agent. In the event that (i) any such bank is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent (as the case may be) or (ii) in case the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period, in accordance with the Fiscal Agency Agreement Argentina shall appoint another leading bank active in the London interbank market (other than BCRA or any Argentine Bank) to act as a Reference Bank or Calculation Agent (as the case may be) in its place. The Calculation Agent may not resign its duties without a successor having been appointed.

(e) In the event that any principal or interest on this Bond, or any other amount payable hereunder is not paid when due, Argentina shall pay interest (to the extent permitted by applicable law) on such unpaid principal or interest or unpaid other amount from the date such principal or interest or other amount is due until the date such principal or interest or other amount is paid in full, payable on demand, at a rate per annum equal to the sum of 1% plus the Rate of Interest as determined from time to time in accordance with Paragraph 3(a) above.]

4. Optional Redemption and Repurchase.

(a) Optional Redemption of Bonds. (i) The Bonds may be redeemed on any Interest Payment Date, at the option of Argentina, in whole or in part, without premium or penalty, upon notice as described below, at a redemption price equal to the principal amount thereof, together with the amount of interest accrued and unpaid as of the date of the redemption; provided, however, that no default in the payment of principal of, or interest on, any of the Bonds or the Other Bonds (as defined herein) has occurred and is continuing; provided further that if, at the time of such redemption, less than the entire amount of [Par Bonds]²³ [Discount Bonds]²⁴ of both Series is redeemed, [Par Bonds]²³ [Discount Bonds]²⁴ of each Series shall be redeemed on a pro rata basis based on the outstanding principal amount of the [Par Bonds]²³ [Discount Bonds]²⁴.

As used in this Bond:

"DMK Bonds" means the Republic of Argentina DMK Par Series Bonds Due 202_ and the Republic of Argentina DMK Discount Series Bonds Due 202_.

"Floating Rate Bonds" means the Republic of Argentina Floating Rate Bonds Due 200_, Series L and Series U;

"Other U.S. Bonds" means Discount Bonds and Par Bonds of any Series other than that of the Bonds;

"Other Bonds" means the Floating Rate Bonds, the Other U.S. Bonds and the DMK Bonds; and

"Series" means:

- (a) for the Discount Bonds, the USD Discount Series L and USD Discount Series U; and
- (b) for the Par Bonds, the USD Par Series L and USD Par Series U.

23. For Par Bonds only.

24. For Discount Bonds only.

(ii) Notice of any redemption of Bonds shall be given by mail and by publication, not less than 30 nor more than 60 days before the date fixed for redemption. Notice having been given, the principal amount of each Bond (or portion thereof) called for redemption shall become due and payable on the date fixed for redemption (as provided herein upon presentation and surrender of such Bond on the date of redemption) in accordance with the provisions for payment of principal in Paragraph 2(a) hereof. In the case of any Bond redeemed only in part, a new Bond for the portion thereof not redeemed shall be delivered in exchange therefor.

(iii) From and after the redemption date for any Bond (or portion thereof), if moneys for the redemption of such Bond (or portion thereof) shall have been made available as provided herein, such Bond (or portion thereof) shall cease to bear interest, and the only right of the holder of such Bond shall be to receive payment of the redemption price, and in the case of a Bond redeemed only in part, to receive a new Bond for the portion thereof not redeemed.

(iv) For purposes of this Bond, a default in the payment of principal of, or interest on, the Bonds or any Other Bonds which has occurred shall be deemed to be continuing until Argentina has deposited, or caused to be deposited in accordance with Section 5(b) of the Fiscal Agency Agreement, or Section 5(b) of the DMK Fiscal Agency Agreement or Section 6(b) of the Floating Rate Bond Fiscal Agency Agreement, as the case may be (or, in the case of the Bonds, the Other U.S. Bonds and the DMK Bonds, if the Collateral Agent has deposited amounts with the Fiscal Agent in accordance with Section 4.04 of the Collateral Pledge Agreement with respect to such Series of Bonds, the Other U.S. Bonds or the DMK Bonds, as the case may be), amounts sufficient to pay the principal and/or interest due on such Bonds or Other Bonds to the date of payment of such principal and/or interest.

(b) Repurchase of Bonds. Argentina or any Argentine Governmental Agency may for any consideration (whether in the form of cash, debt securities, investments, equity in privatized companies or otherwise) at any price and time repurchase Bonds, by tender (available to all holders of Bonds and the other Series of [Par Bonds]²⁵ [Discount Bonds]²⁶ alike) or in the open market or otherwise; provided in each case that:

(A) neither Argentina nor any Argentine Governmental Agency (other than an Argentine Bank (i) for its trading account in the ordinary course of business or (ii) for the account of customers that are not Argentine Governmental Agencies) may purchase, directly or indirectly, Bonds for cash or any form of Indebtedness of Argentina or any Argentine Governmental Agency so long as a default in the payment of principal of, or interest on, any of the Bonds or the Other Bonds has occurred and is continuing; and

(B) any definitive Bond purchased or otherwise acquired by, or on behalf of, Argentina must be surrendered to the Fiscal Agent, the Registrar or a Transfer Agent for cancellation and, if Argentina shall purchase or otherwise acquire any beneficial interest in a Global Bond, Argentina shall, in the case of the Non-U.S. Global Bond, request Euroclear or Cedel, as the case may be, to cancel such beneficial interest and shall request the Fiscal Agent to direct the Common Depositary or the Registrar, as the case may be, to reflect such cancellation of such beneficial interest on the Schedule to such Global Bond or in the register for the Bonds, as the case may be, each such surrender or request for cancellation to be made by Argentina promptly after such purchase or acquisition; provided, however, that Argentina shall not be required to cancel any Bond purchased or otherwise acquired by, or on behalf of, Argentina if (i) such Bond was purchased or otherwise acquired for purposes of securing External Indebtedness of Argentina incurred in connection with, or on or after the date of, such purchase or acquisition or (ii) such Bond is promptly exchanged for unsecured Indebtedness of Argentina issued to Argentine Banks on the Exchange Date in exchange for Eligible Debt of such Argentine Banks, if any.

If Argentina shall purchase or otherwise acquire any Bond, such purchase or other acquisition shall not operate as or be deemed for any purpose to be a discharge or satisfaction of the indebtedness represented by such Bond until the provisions in clause 4(b)(B) above have been met.

25. For Par Bonds only.

26. For Discount Bonds only.

If any such Bond is purchased or otherwise acquired by, or on behalf of, Argentina, Argentina shall notify the Fiscal Agent of such purchase or other acquisition, and, if such Bond is in definitive form, request that the Fiscal Agent notify the Registrar of such purchase or other acquisition.

5. Taxes; Payment of Additional Amounts.

(a) Payments Free and Clear. Any and all payments by Argentina hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, assessments, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (i) imposed by Argentina (or any political subdivision or taxing authority thereof or therein or any organization or federation of which Argentina is at any time a member) (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Argentine Taxes") or (ii) imposed by any other jurisdiction (or any political subdivision or taxing authority thereof or therein or any organization or federation of which such jurisdiction is at any time a member) from or through which any payment hereunder is made (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Paying Agency Taxes" and, together with the Argentine Taxes, the "Applicable Taxes"); provided, however, that Applicable Taxes shall not include, (x) Argentine Taxes that are (A) imposed on an Argentine Person or (B) imposed on a Person who is deemed to have a permanent establishment in Argentina to which this Bond, and the income therefrom, is attributable (unless this Bond is being held or booked or payments hereunder are received in Argentina solely to enforce any rights hereunder or exercise any rights hereunder that otherwise would not, in the opinion of independent counsel of recognized standing, be exercisable) or (y) Paying Agency Taxes that (A) are imposed by reason of any connection between the Purchaser and the taxing jurisdiction other than entering into the Principal Bond Agreements, holding the Principal Bonds or receiving payment thereon, (B) are required to be deducted or withheld by any Paying Agent from a payment on this Bond if such payment can be made without such deduction or withholding by any other Paying Agent or (C) would not have been imposed but for the presentation by the holder of this Bond for payment more than 30 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later. If Argentina or a Paying Agent shall be required by law to deduct any Applicable Taxes from or in respect of any sum payable by it hereunder:

(1) the sum payable shall be increased as may be necessary so that after making all required deductions of such Applicable Taxes (including deductions of such Applicable Taxes applicable to additional sums payable under this Section), the holder of this Bond receives an amount equal to the sum it would have received had no such deductions of such Applicable Taxes been made;

(2) Argentina or such Paying Agent shall make such deductions; and

(3) Argentina or such Paying Agent shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law.

(b) Payment of Stamp Taxes. In addition, Argentina agrees to pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies and any related interest or penalties incidental thereto imposed by Argentina or any political subdivision or taxing authority thereof or therein which arise from any payment made by Argentina or a Paying Agent hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, the Bonds and the other Principal Bond Agreements (hereinafter referred to as "Other Applicable Taxes").

(c) Tax Certificates. Within 30 days after the date of any payment of Applicable Taxes or Other Applicable Taxes by Argentina or a Paying Agent, Argentina or such Paying Agent will furnish to the Fiscal Agent the original or a certified copy of a receipt evidencing payment thereof. The Fiscal Agent shall furnish each such Bondholder to which Argentina made or is obligated to make a payment that resulted in such Applicable Taxes or Other Applicable Taxes with, if practicable, an original of such receipt or certified copy or, if insufficient originals are available for distribution, shall provide each such Bondholder with access to an original.

(d) Survival. Without prejudice to the survival of any other agreement of Argentina hereunder, the agreements and obligations of Argentina contained in this Paragraph 5 shall survive the payment in full of all payment due hereunder or under the other Principal Bond Agreements and the performance of any other obligations hereunder or thereunder.

6. Collateral.

(a) Principal Collateral. Argentina has pledged and assigned to the Federal Reserve Bank of New York as Collateral Agent (such agent and its successors as such Collateral Agent being hereinafter called the "Collateral Agent"), for the benefit of the registered holders, Pledged Securities (as defined in the Collateral Pledge Agreement) (the "Principal Collateral"), having an aggregate amount payable at maturity (including principal, interest and interest added to principal) equal to the principal amount of the Bonds and maturing on or before the stated maturity date of the Bonds, securing payment of the principal amount of the Bonds at stated maturity only. The Collateral Agent will hold the Principal Collateral pursuant to a Collateral Pledge Agreement dated as of April 7, 1993 (as amended from time to time, the "Collateral Pledge Agreement"), the terms of which are hereby incorporated herein by reference.

Pursuant to the Collateral Pledge Agreement, if Argentina has not, on the Bond Maturity Date, made available to the Fiscal Agent in immediately available funds the full principal amount required to be paid at maturity of the Bonds, the Collateral Agent shall cause the proceeds of the Principal Collateral to be remitted to the Fiscal Agent to be held in trust for payment of the principal of the Bonds. With respect to the Principal Collateral, failure by Argentina to pay the principal amount of the Bonds at stated maturity is the only event giving rise to any right of recourse on the part of the Fiscal Agent or any Bondholder to the Principal Collateral, and the Principal Collateral is not available to the Fiscal Agent or any Bondholder at any time before the stated maturity of the Bonds. In particular, nonpayment by Argentina of interest and other amounts on the Bonds at any time or of principal of the Bonds, on redemption, acceleration or otherwise, before stated maturity does not give rise to any right on the part of the Fiscal Agent or any Bondholder to recourse to the Principal Collateral, and the Principal Collateral is not available as a result thereof.

(b) Interest Collateral. Argentina has pledged to and deposited with the Collateral Agent, for the benefit of the Bondholders, Cash or Permitted Investments (both terms as defined in the Collateral Pledge Agreement) (the "Interest Collateral" and, together with the Principal Collateral, the "Collateral") in the amount specified for the Bonds in the Collateral Pledge Agreement securing payment of interest on the Bonds. The Collateral Agent will hold the Interest Collateral pursuant to the Collateral Pledge Agreement. Earnings on the Interest Collateral will be remitted to Argentina from time to time in accordance with the Collateral Pledge Agreement.

Pursuant to the Collateral Pledge Agreement, if Argentina has not, within 30 days after any Interest Payment Date, made available to the Fiscal Agent in immediately available funds the full amount of interest required to be paid in respect of the Bonds on such Interest Payment Date, the Collateral Agent shall, at the request of the Fiscal Agent (acting upon the instructions of the registered holders of at least 25% in aggregate principal amount of the Bonds), cause proceeds of the Interest Collateral to be remitted to the Fiscal Agent for the payment of interest due and payable on the Bonds (without taking into account any interest on overdue amounts).

(c) Collateral Pledge Agreement; Release of Collateral, Etc. Copies of the Collateral Pledge Agreement are on file and available for inspection at the corporate trust office of the Fiscal Agent in the Borough of Manhattan, City of New York and at such other offices as are from time to time designated as Paying Agents for the Bonds, and reference thereto is hereby made for a description of the rights and limitation of rights thereunder of the holders of the Bonds and the duties of the Collateral Agent. The Other U.S. Bonds also enjoy the benefit of the Collateral Pledge Agreement with respect to separate collateral. The Collateral Pledge Agreement contains provisions for the release from time to time of Principal Collateral and Interest Collateral. The holders of the Bonds will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Collateral Pledge Agreement. The Collateral Agent is not a trustee for the Bondholders and does not have the same responsibilities or duties to act for such holders as a trustee. Neither the Federal Reserve Bank of New York, as the initial Collateral Agent, nor any successor Collateral Agent shall have any obligation hereunder or under the Collateral Pledge Agreement to make any payment of principal of, or interest on, this Bond to the holder or to the Fiscal Agent other than the remittance of the proceeds (if any) of the Principal Collateral and the Interest Collateral to the Fiscal Agent in accordance with the terms of the Collateral Pledge Agreement. Each Bondholder, by acceptance of its Bond or Bonds, consents to the appointment of the Collateral Agent as its true and lawful attorney-in-fact as provided in the Collateral Pledge Agreement.

The pledge of the Principal Collateral and Interest Collateral pursuant to the Collateral Pledge Agreement constitutes and will constitute, so long as any Bond remains outstanding, a valid and perfected first

priority security interest in favor of the Collateral Agent on behalf of the registered holders in the Principal Collateral and Interest Collateral.

7. Valid Obligations.

Argentina represents and agrees that all action has been taken and all conditions precedent have occurred so that this Bond and all the obligations herein contained shall be valid and legally enforceable obligations of Argentina in accordance with their terms, including without limitation all acts or things necessary or appropriate under the Constitution, laws and regulations of Argentina.

8. Payment of Unclaimed Amounts.

Subject to Section 11(b) of the Fiscal Agency Agreement, any moneys paid by Argentina, or remitted by the Collateral Agent, to the Fiscal Agent (or remitted by the Fiscal Agent to any other Paying Agent) for payment of principal of, or interest on, any of the Bonds shall be held in trust by the Fiscal Agent or such Paying Agent for the registered holders to be paid to such registered holders in accordance with Sections 5(a) and 5(b)(i) of the Fiscal Agency Agreement. Any moneys so held remaining unclaimed at the end of two years after such principal or interest (including additional amounts under Paragraph 5 above) shall have become due and payable (whether at maturity or upon call for redemption or otherwise) shall be repaid to Argentina on its written demand, and upon such repayment such trust shall terminate and all liability of the Fiscal Agent and each Paying Agent with respect to such moneys shall cease, and a registered holder presenting a claim therefor shall thereafter look only to Argentina for payment thereof; provided that such repayment shall not limit in any way any obligation which Argentina may have to pay the principal of, or interest on, the Bonds as the same shall become due.

9. Covenants.

(a) Affirmative Covenants. Argentina covenants and agrees that, so long as any Bond remains outstanding, Argentina shall:

(i) Maintenance of Argentine Authorizations. Duly obtain and maintain in full force and effect all Argentine Authorizations necessary under the laws of Argentina for the performance by Argentina of the Bonds or any other Principal Bond Agreement or for the validity or enforceability of the Bonds or of the other Principal Bond Agreements and duly take all necessary and appropriate governmental and administrative action in Argentina, in order for Argentina to be able to make all payments to be made by Argentina under the Bonds and the other Principal Bond Agreements.

(ii) Pari Passu. Ensure that at all times its obligations hereunder constitute unconditional general obligations of Argentina ranking at least pari passu in priority of payment with (A) all other Indebtedness of Argentina which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos and (B) all obligations of Argentina with respect to any Indebtedness issued by a Designated Argentine Governmental Agency which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos.

(iii) Debt Conversion Program. Maintain the eligibility of the Bonds for tender in Argentina's debt conversion program.

(iv) Maintenance of Membership on International Financial Institutions. Maintain at all times its membership in the IMF, IBRD and IADB and continue to be eligible to use the general resources of the IMF.

(v) Annual Economic Report. Furnish to the Fiscal Agent and, for so long as the Bonds are listed on the Luxembourg Stock Exchange, to Citibank (Luxembourg), S.A., as listing agent, sufficient copies of the Annual Economic Report of BCRA ("Memoria Anual"), or comparable economic information, and other periodic financial statements of the debt of Argentina reflecting the aggregate principal amount of Par Bonds and Discount Bonds which have been purchased or otherwise acquired and not cancelled in accordance with clause (i) of the proviso to Paragraph 4(b)(B) hereof and indicating that such Par Bonds and/or Discount Bonds have been acquired for the purpose of securing External Indebtedness of Argentina incurred in connection with, or on or after the date of, such purchase or acquisition.

(vi) Maintenance of Agents. Until two years after the later of the date on which the principal of all the Bonds shall have become due and payable (whether at maturity or upon call for redemption or otherwise) and the date on which moneys for the payment thereof and of all interest on the Bonds shall have been made available to the Fiscal Agent, to maintain a Fiscal Agent, an Authenticating Agent, [a Calculation Agent,]* a Registrar and Transfer Agent in the Borough of Manhattan, City of New York (which in each case shall be a commercial bank or trust company (other than BCRA or an Argentine Bank), or any affiliate thereof, having a combined capital and surplus of at least U.S.\$1,000,000,000 (or the equivalent in other currencies), legally qualified to act as such Agent and having an established place of business in the Borough of Manhattan, City of New York). Subject to the foregoing, Argentina reserves the right at any time to vary or terminate the appointment of the Agents in the manner, and to the extent, provided in Paragraph 16 hereof and in the Fiscal Agency Agreement.

[(vii) Listing. Make application for listing the Bonds on the Luxembourg Stock Exchange and use its best efforts (x) to ensure listing thereon and (y) once the Bonds are so listed, to maintain the listing of the Bonds thereon or, if maintenance thereon is not practicable, on another internationally recognized securities exchange.]²⁷

(b) Negative Covenants. For so long as any of the Bonds remain outstanding, Argentina shall not:

(i) Directly or indirectly seek any restructuring or rescheduling of the Bonds or any provisions thereof, nor will it directly or indirectly seek or request any loans, advances, extensions of credit or other financial accommodation from any holders of Bonds or any affiliates thereof based on such holdings.

(ii) Sell, assign or otherwise transfer any Par Bond or Discount Bond purchased or otherwise acquired by, or on behalf of, Argentina and not cancelled in accordance with Paragraph 4(b) hereof; provided, that Argentina shall be permitted to assign or otherwise transfer any such Par Bond or Discount Bond in connection with the exchange contemplated in Paragraph 4(b)(B) hereof; and provided, further, that Argentina shall be permitted to assign or otherwise transfer any such Par Bond or Discount Bond, or any interest therein, in connection with any transaction in which such Par Bond or Discount Bond is used to secure External Indebtedness incurred in connection with, or on or after the date of, the purchase or other acquisition of such Par Bond or Discount Bond by or on behalf of Argentina.

[(iii) Make, nor grant permission to make, application to list the Bonds on any stock exchange.]²⁸

10. Events of Default.

If any of the following events (each an "Event of Default") shall occur and be continuing:

(a) interest on any Bond is not paid when due and such default continues for a period of at least 30 days; or

(b) Argentina fails to pay the principal amount of any Bond called for redemption when due for a period of 15 days; or

(c) the pledge of the Principal Collateral or of the Interest Collateral under the Collateral Pledge Agreement ceases to constitute a valid and perfected first priority security interest in any such Collateral; or

* Discount Bonds only.

27. Insert for USD Discount Series L and USD Par Series L only.

28. USD Discount Series U and USD Par Series U only. The USD Discount Series L and USD Par Series L Bonds will be listed on the Luxembourg Stock Exchange.

(d) Argentina defaults in the performance of any other obligation contained in the Bonds or the other Principal Bond Agreements relating to the Bonds and such default shall continue for a period of 90 days after written notice thereof shall have been given to Argentina at the office of the Fiscal Agent by any registered holder; or

(e) (i) the holders of 25% or more in aggregate outstanding principal amount of any issue or series of Publicly Issued External Indebtedness of Argentina or any Designated Argentine Governmental Agency (including any Other Bonds), as a result of any failure to pay the principal of, or interest on, such Publicly Issued External Indebtedness, accelerate such Publicly Issued External Indebtedness or declare such Publicly Issued External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and such acceleration, declaration or prepayment shall not have been annulled or rescinded within 30 days thereof or (ii) Argentina or any Designated Argentine Governmental Agency fails to pay the principal of any such Publicly Issued External Indebtedness when due (after expiration of any applicable grace period), or (iii) Argentina fails to pay any interest when due under any Other Bonds (after expiration of any applicable grace period); or

(f) Argentina declares a moratorium with respect to the payment of principal of, or interest on, Publicly Issued External Indebtedness of Argentina; or

(g) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Argentina in connection with any judgment in respect of External Indebtedness (other than External Indebtedness under the Debt Agreements) for the payment of money exceeding U.S.\$100 million (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 45 consecutive days without a stay of execution, unless the same is adequately bonded or is being contested by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(h) the validity of the Bonds or the other Principal Bond Agreements relating thereto shall be contested by Argentina;

then, if such event is continuing, registered holders of 25% or more in aggregate outstanding principal amount of the Bonds may, by written demand to Argentina at the office of the Fiscal Agent, declare the Bonds immediately due and payable, whereupon the entire unpaid principal amount of the Bonds, all interest accrued and unpaid thereon and all other amounts payable in respect of the Bonds shall become and be forthwith due and payable, without presentation, demand, protest or further notice of any kind, all of which are hereby expressly waived by Argentina. Any such declaration shall be made by written demand to Argentina at the office of the Fiscal Agent in New York City. Upon receipt by the Fiscal Agent of such written demand, the Fiscal Agent shall give notice thereof to Argentina, as provided in the Fiscal Agency Agreement, and to the holders of the Bonds, by mail and publication. After any such declaration, if all amounts then due with respect to the Bonds are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Bonds are cured, such declaration may be annulled and rescinded by registered holders of more than 50% in aggregate outstanding principal amount of the Bonds (or such other percentage required at a meeting of Bondholders in accordance with Paragraph 12 hereof) by written notice thereof to Argentina at the office of the Fiscal Agent.

11. Transfer, Exchange for New Bonds and Replacement.

(a) This Bond is transferable (subject to applicable restrictions in the legend appearing on the face of this Bond and in the Fiscal Agency Agreement) by the registered holder hereof or by his attorney-in-fact duly authorized in writing, at the office of the Registrar or of any Transfer Agent, upon surrender of this Bond for cancellation duly endorsed by, or accompanied by a written instrument of transfer, in the form set forth at the end of these Terms and Conditions or in such other form satisfactory to the Registrar duly executed by, the registered holder or his attorney-in-fact duly authorized in writing, and thereupon one or more new Bonds in Authorized Denominations for the same aggregate principal amount will be issued in the name of the transferee or transferees in exchange therefor.

(b) This Bond (i) may be transferred and sold only as a unit that includes all interest and principal components and may not be separated, directly or indirectly, into component interest and principal portions and (ii) may not be converted directly or indirectly into unregistered form.

(c) This Bond is exchangeable (subject to applicable restrictions contained in the Fiscal Agency Agreement) by the registered holder hereof or by his attorney-in-fact duly authorized in writing at the office of the Registrar or of any Transfer Agent, upon surrender of this Bond for exchange, into one or more new Bonds in Authorized Denominations with the same aggregate principal amount, and thereupon such new Bonds will be issued to such registered holder.

(d) Notwithstanding any other provision of this Bond, the Registrar shall not be required to register the transfer of or exchange this Bond (i) during a period beginning at the opening of business 15 days before the date of transmission of a notice of partial redemption of the Bonds and ending at the close of business on the day of such transmission or (ii) at any time after this Bond has been called for redemption; provided that, with respect to any Bond called for partial redemption, the Registrar shall register the transfer of or exchange such principal amount not subject to redemption.

(e) Argentina may require payment of a sum sufficient to cover any stamp tax or other governmental charge (other than a stamp tax or governmental charge imposed by Argentina itself) in connection with any such transfer or exchange, but no other charge shall be made in connection with any such transfer or exchange (except for the expenses of delivery other than by regular mail).

(f) In case of the mutilation, destruction, loss or theft of this Bond, the Registrar, upon surrender to and cancellation by it of the mutilated Bond, or upon receipt of proof satisfactory to it of the destruction, loss or theft of such Bond, and receipt of security or indemnity satisfactory to the Registrar, to the Fiscal Agent, to the Authenticating Agent and to Argentina, shall register, and the Registrar or a Transfer Agent shall deliver, a new Bond of such Series in replacement of such Bond to the person requesting such replacement upon payment by such person of all reasonable expenses associated with obtaining such security or indemnity and issuing and delivering a new Bond (including, without limitation, reasonable legal fees and expenses relating to the preparation, authentication and delivery of such new Bond).

(g) Prior to the presentment for registration of transfer of this Bond, Argentina and each of the Agents may deem and treat the person in whose name this Bond is registered as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notice of ownership or other writing hereon) for the purpose of receiving payment hereof or on account hereof and for all other purposes, and neither Argentina nor any Agent shall be affected by any notice to the contrary; provided that, with respect to beneficial interests in the Non-U.S. Global Bond, each person who is shown in the records of the Euroclear Operator or of Cedel as the holder of a particular principal amount of such Global Bond shall be treated as the holder of such principal amount of Bonds for all purposes other than with respect to receiving notices by mail or payment hereof or on account hereof.

(h) All Bonds issued as a result of any transfer, exchange or replacement of Bonds shall be delivered to the holder at the office of the Registrar or a Transfer Agent or (at the risk and, if sent other than by regular mail, expense of such Bondholder) sent by mail to such address as is specified by the holder in the request for transfer, exchange or replacement.

(i) Argentina has initially appointed each of the principal offices of Citibank, N.A. in London and of Citibank (Luxembourg) S.A. in Luxembourg as a Transfer Agent where the Bonds may be surrendered for transfer, exchange or substitution. The Fiscal Agent shall, directly or through an affiliate, maintain in the Borough of Manhattan, City of New York, a Registrar in which Bonds executed, authenticated and delivered as provided herein and in the Fiscal Agency Agreement, and the transfer, exchange, substitution and cancellation of such Bonds, shall be registered.

12. Meetings of Bondholders; Modification and Amendments.

(a) Upon not less than 15 days' prior notice to the Fiscal Agent, Argentina may at any time call a meeting of the Bondholders of any Series pursuant to the notice provisions of the Fiscal Agency Agreement for any purpose, such meeting to be held at such time and such place as Argentina shall determine. Upon a request

in writing made by Bondholders holding not less than 10% of the aggregate outstanding principal amount of the Bonds of any Series, the Fiscal Agent shall convene a meeting of Bondholders of such Series. Any such request in writing by Bondholders shall be delivered to the Fiscal Agent. Further provisions concerning meetings of Bondholders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement (subject to the provisions of Section 15 of the Fiscal Agency Agreement), the Collateral Pledge Agreement, or the Bonds requiring Bondholder consent may be made, and future compliance therewith or past default by Argentina may be waived, with the consent of Argentina and the registered holders of at least a majority in aggregate principal amount of the Bonds at the time outstanding, or of such lesser percentage (determined as provided in subparagraph (c) below) as may act at a meeting of Bondholders held in accordance with the provisions of the Fiscal Agency Agreement; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement, the Collateral Pledge Agreement, or any Bond may, without the consent of the registered holder of each Bond affected thereby, (i) change the stated maturity of the principal of or the due date of interest on such Bond; (ii) reduce the principal of, or interest on, any such Bond; (iii) change the currency of payment of the principal of, or interest on, any such Bond; (iv) effect a release of the Collateral from, or change the priority of, the lien of the Collateral Pledge Agreement except as contemplated thereby or change the ratable nature of the security provided thereby; or (v) reduce the above-stated percentage of aggregate principal amount of Bonds outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action; and provided further that no modification, amendment or waiver of the Collateral Pledge Agreement may, without the consent of the Collateral Agent in addition to Argentina and the holders required above to take such action, affect the rights or duties of the Collateral Agent or the Fiscal Agent, respectively, under the Collateral Pledge Agreement. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all holders of the Bonds whether or not they have given consent or were present at such meeting, and on all future holders of Bonds whether or not notation of such modifications, amendments or waivers is made upon the Bonds. Subject to the foregoing provisions of this Paragraph 12(b), any instrument given by or on behalf of any holder of a Bond in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Bond.

(c) At a meeting of the Bondholders called for any of the above purposes, persons entitled to vote a majority in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum, it being understood that any Bondholder entitled to more than one vote shall not be required to cast all such votes in the same manner. In the absence of a quorum within 30 minutes of the time approved for such meeting, such meeting may be adjourned for a period of not less than ten days; at the reconvening of any meeting adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than to make any declaration under Paragraph 10 hereof) shall be effectively passed, subject to the provisos of subparagraph (b) above, if passed by the persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Bonds then outstanding or (ii) 75% in aggregate principal amount of the Bonds represented and voting at the meeting.

(d) So long as Argentina has any interest in any of the Bonds referred to in any notice delivered to the Fiscal Agent by Argentina pursuant to the last sentence of Paragraph 4(b) hereof, no vote may be exercised with respect to such Bond at a meeting of Bondholders or in connection with any consent to any modification, amendment or waiver contemplated in this Paragraph 12.

13. Notices.

All notices to Bondholders will be given by publication thereof in The Wall Street Journal (Eastern Edition), and the Financial Times (London) (or if either or both of such newspapers is not being published, in at least one leading daily newspaper printed in the English language and with general circulation in New York City or London, as the case may be) [and, so long as the Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued listing thereon, in the Luxemburger Wort (or if such newspaper is not being published,

in a daily newspaper of general circulation in Luxembourg]²⁹ or, if publication in [either]²⁹ London [or Luxembourg]²⁹ is not practical, elsewhere in western Europe). In addition, notices to Bondholders required to be mailed shall be mailed by first class, or, if applicable, prepaid, air mail to each registered holder to the address set forth on the register kept by the Registrar for the Bonds. Any such notice shall be deemed to have been given on the date of such publication (or, if published more than once, on the date it is first published) and the day which is three days after such notice by mail shall have been deposited in the mails.

14. Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to any Bondholder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

15. Delay or Omission Not Waiver.

No delay or omission of the Bondholders to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Paragraph 15 or by law to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Bondholders.

16. Maintenance of Paying Agents and Transfer Agents.

Argentina may vary or terminate the appointment of any Paying Agent or Transfer Agent at any time and from time to time upon giving not less than 60 days' notice to the Fiscal Agent; provided that Argentina shall maintain at all times at least one Paying Agent in New York City and London. [In addition, Argentina shall maintain at all times a Paying Agent and a Transfer Agent in Luxembourg as long as the Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued listing thereon.]³⁰ Notice of any change in a Paying Agent shall be given to Bondholders in accordance with Paragraph 13 hereof.

17. Execution.

This Bond may be executed by manual or facsimile signature of an Authorized Official of Argentina and such signature shall be binding notwithstanding that the individual signing in such capacity no longer serves in such capacity at the time of authentication by an Authenticating Agent. This Bond shall not constitute an obligation of Argentina until the certificate of authentication hereon has been countersigned for identification by an Authenticating Agent.

18. Jurisdiction and Waiver of Immunity.

(a) Argentina hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in New York City, the High Court of Justice in London, any federal court sitting in the City of Buenos Aires and any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Bond, and Argentina hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such New York State or federal court, in the High Court of Justice in London or any federal court sitting in the City of Buenos Aires. Argentina irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding and any objection to any such suit, action or proceeding whether on the grounds of venue, residence or domicile. A final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in any other jurisdictions by suit on the judgment or in any other manner provided by law.

29. Delete for USD Discount Series U and USD Par Series U.

30. Delete for USD Discount Series U and USD Par Series U.

(b) Argentina hereby irrevocably appoints (i) the New York office of Banco de la Nación Argentina (the "New York Process Agent"), with an office on the date hereof at 299 Park Avenue, 2nd floor, New York, New York 10171, United States, and, alternatively, hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 1633 Broadway, 23rd floor, New York, New York 10019, United States (the "Alternate New York Process Agent"), in each case, as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such action or proceeding brought in such New York State or federal court sitting in New York City and (ii) the London office of Banco de la Nación Argentina (the "London Process Agent", and together with the New York Process Agent, the "Process Agents"), with an office on the date hereof at Longbow House, 14-20 Chiswell Street, London EC1Y 45D, England, United Kingdom, and alternatively, hereby irrevocably appoints The Law Debenture Trust Corporation p.l.c., with an office on the date hereof at Prince's House, 95 Gresham St., London EC2V 7LY, England, United Kingdom (the "Alternate London Process Agent" and, together with the New York Alternate Process Agent, the "Alternate Process Agents"), in each case, as its agent to receive on behalf of itself and its property service of copies of a writ, summons, order, judgment or other document which may be served in any such action or proceeding brought in the High Court of Justice in London. Service of any such process may be made upon an Alternate Process Agent in lieu of the applicable Process Agent in any action or proceeding in any New York State or federal court sitting in New York City or the High Court of Justice in London if (i) at any time and for any reason it appears to the party attempting to serve the process that service of such process upon any Process Agent as provided above may be ineffective or may not be feasible and (ii) upon or before the serving of any process on any Alternate Process Agent, the Alternate Process Agent and Argentina are notified that service of such process is to be made on such Alternate Process Agent in accordance with the provisions of this sentence. Such service may be made by mailing or delivering a copy of such process to Argentina in care of the appropriate Process Agent or Alternate Process Agent at the address specified above for such Process Agent or Alternate Process Agents and, in the case of process served on an Alternate Process Agent, by depositing a copy of such process in the United States mails, addressed to Argentina at the address specified in Section 13 of the Fiscal Agency Agreement (such service to be effective upon the delivery of such process to the Alternate Process Agent and the depositing of such process in the United States mails as aforesaid), and Argentina hereby irrevocably authorizes and directs such Process Agent or Alternate Process Agents to accept such service on its behalf. Failure of any Process Agent or Alternate Process Agent to give notice to Argentina or failure of Argentina to receive notice of such service of process shall not affect in any way the validity of such service on the Process Agent, the Alternate Process Agent or Argentina. As an alternative method of service, Argentina also irrevocably consents to the service of any and all process in any such suit, action or proceeding in such New York State or federal court sitting in New York City or the High Court of Justice in London by the mailing of copies of such process to Argentina at its address specified in Section 13 of the Fiscal Agency Agreement. Argentina covenants and agrees that it shall take any and all reasonable action, including the execution and filing of any and all documents, that may be necessary to continue the designations of Process Agents and Alternate Process Agents above in full force and effect, and to cause each Process Agent and Alternate Process Agent to continue to act as such.

(c) Nothing in this Paragraph 18 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

(d) To the extent that Argentina has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Argentina hereby irrevocably waives such immunity in respect of its obligations under this Bond and the other Principal Bond Agreements and, without limiting the generality of the foregoing, Argentina (A) agrees that the waivers set forth in this Paragraph 18(d) shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such act; and (B) consents generally for the purposes of the State Immunity Act 1978 of the United Kingdom to the giving of any relief or the issue of any process. Notwithstanding the foregoing, Argentina shall not waive any such immunity (1) with respect to the assets which constitute freely available reserves, pursuant to Article 6 of the Convertibility Law, the amount, composition and investment of which will be reflected on the balance sheet and accounting statement of BCRA consistently prepared pursuant to Article 5 of the Convertibility Law and (2) with respect to property of the public domain located in the territory of Argentina or property owned by Argentina and located in its territory which is dedicated to the purpose of an essential public service.

19. BCRA Undertaking.

The holder of this Bond is entitled to the benefits of the Banco Central Undertaking dated as of April 7, 1993, given to the Fiscal Agent, the Closing Agent, the Agents under the Fiscal Agency Agreement, the Purchasers under the Collateralized Discount and Par Bond Exchange Agreement and the Bondholders to, inter alia, exchange for U.S. dollars or Deutsche Mark (each a "Principal Bond Currency") such funds as are transferred to it by Argentina in connection with the Bonds and the Principal Bond Agreements (as defined in the Fiscal Agency Agreement), subject to certain conditions in respect of Principal Bond Currencies not being freely available in the market, Principal Bond Currencies being available to Banco Central and the prior transfer by Argentina to Banco Central of the equivalent in pesos of the Principal Bond Currencies (the "BCRA Undertaking"). Such undertaking shall not constitute a guarantee of Argentina's obligations hereunder.

20. Descriptive Headings.

The descriptive headings appearing in these Terms and Conditions of the Bonds are for convenience of reference only and shall not alter, limit or define the provisions hereof.

DESCRIPTION OF THE BEARER FLOATING RATE BONDS

The text appearing on the face of each Bearer Floating Rate Bond will read substantially as follows.

[ORIGINAL ISSUE DISCOUNT LEGEND, AS REQUIRED BY THE FISCAL AGENCY AGREEMENT.]

THIS BOND IS SUBJECT TO CERTAIN SELLING RESTRICTIONS PROVIDED IN THE FISCAL AGENCY AGREEMENT REFERRED TO IN PARAGRAPH 1 OF THE TERMS AND CONDITIONS ON THE REVERSE SIDE OF THIS BOND.

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED UNDER SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[THIS BOND MAY NOT BE LISTED ON ANY STOCK EXCHANGE.]*

THE PRINCIPAL AMOUNT OF THIS BOND OUTSTANDING AT ANY TIME MAY BE LESS THAN THE FACT AMOUNT HEREOF.

No. ____ - ____

Principal Amount U.S. \$ _____

REPUBLIC OF ARGENTINA

Floating Rate Bond Due 200_**
(____ [2] ____)

THE REPUBLIC OF ARGENTINA ("Argentina"), for value received, hereby unconditionally promises to pay to BEARER, the principal sum of ____ [1] [_____] UNITED STATES DOLLARS (U.S. \$ ____ [1] [_____]) (the "Principal Amount"), on presentation and surrender for cancellation of the principal coupons attached hereto (the "Principal Coupons") and, in the case of the principal coupon relating to the last installment of principal, together with the presentation of this Bond, as set forth on the reverse hereof, in 19 consecutive semiannual installments as set forth below, commencing on ____ [3] ____ and on each Principal Payment Date (as defined herein) thereafter through the nineteenth Principal Payment Date; provided that the last such installment shall be in the amount necessary to repay in full the amount of the Principal Amount outstanding on the last Principal Payment Date.

* Insert for Series U Bonds only. The Series L Bonds will be listed on the Luxembourg Stock Exchange.

** Insert the earlier of the year in which the 12th anniversary of the Exchange Date occurs and the year 2005.

2. Insert, for each Series, the Series designation (i.e.: Series L and Series U).

1. Insert face amount for odd-lot Bonds; insert \$250,000 for other Bonds.

3. Insert the date which is the third anniversary of the earlier of the Exchange Date and March 31, 1993.

Payments of the Principal Amount shall be made on each Principal Payment Date in an amount equal to the product of (x) the unpaid principal amount of this Bond outstanding on such Principal Payment Date, without taking into account any mandatory or optional redemption, multiplied by (y) the amortization factor

(expressed as a fraction) set forth below for such Principal Payment Date:

Principal Payment Falling Due in:	Amorti- zation Factor	Principal Payment (\$ Per \$1,000 Face Amount	Principal Payment	Amorti- zation Factor	Principal Payment (\$ Per \$1,000 Face Amount
[]*, 1996	1/100	10	[]*, 2001	8/72	80
[]**, 1996	1/99	10	[]**, 2001	8/64	80
[]*, 1997	1/98	10	[]*, 2002	8/56	80
[]**, 1997	1/97	10	[]**, 2002	8/48	80
[]*, 1998	1/96	10	[]*, 2003	8/40	80
[]**, 1998	1/95	10	[]**, 2003	8/32	80
[]*, 1999	1/94	10	[]*, 2004	8/24	80
[]**, 1999	5/93	50	[]**, 2004	8/16	80
[]*, 2000	8/88	80	[]*, 2005	8/8	80
[]**, 2000	8/80	80			

As used herein, "Principal Payment Date" means each [4] and [4] of each calendar year, commencing on [3] . If a Principal Payment Date falls on any day which is not a Business Day, such Principal Payment Date will be postponed to the next day which is a Business Day unless such next succeeding Business Day occurs in a subsequent calendar month in which case such Principal Payment Date will be the next preceding Business Day.

Argentina further hereby unconditionally agrees to pay, interest semi-annually in arrears on the principal sum outstanding from time to time hereunder at the applicable Rate of Interest (as defined herein) on each Interest Payment Date commencing on [5] , until the principal hereof shall have been paid in full or payment thereof duly provided for and to pay interest on overdue amounts of principal and interest hereunder as provided in the Terms and Conditions (as defined herein), but only, in the case of interest due on or before maturity, upon presentation and surrender for cancellation of the applicable interest coupons attached hereto (the "Interest Coupons" and, collectively with the Principal Coupons, the "Coupons") as set forth on the reverse hereof.

Reference is made to the further provisions set forth under the Terms and Conditions of the Bonds endorsed on the reverse hereof (the "Terms and Conditions"), which shall for all purposes have the same effect as though fully set forth at this place.

This Bond shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Authenticating Agent under the Fiscal Agency Agreement (as defined herein).

* Insert the month in which the first Principal Payment Date occurs.

** Insert the month in which the six-month anniversary of the first Principal Payment Date occurs.

4. Insert the dates which are respectively the 12-month and 18-month anniversaries of the earlier of the Exchange Date and March 31, 1993.

5. Insert the date which is 6 months following the earlier of the Exchange Date and March 31, 1993.

**THIS BOND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH,
THE LAWS OF THE STATE OF NEW YORK, UNITED STATES.**

IN WITNESS WHEREOF, Argentina has caused this Bond to be duly executed with the manual or facsimile signatures of an Authorized Official in _____.

Dated: _____, 199_

THE REPUBLIC OF ARGENTINA

By _____
Title:

Certificate of Authentication:

This is one of the Bonds referred to in the
within-mentioned Fiscal Agency Agreement.

CITIBANK, N.A., as
Authenticating Agent

OR CITIBANK
(LUXEMBOURG) S.A., as
Authenticating Agent

By _____
Authorized Signatory

By _____
Authorized Signatory

Dated: _____

Dated: _____

The terms and conditions which will be endorsed on the reverse of each Bearer Floating Rate Bond will read substantially as follows.

1. General.

(a) This Bond is one of a Series of duly authorized Floating Rate Bonds in bearer form Due 200[6] ([7]) of Argentina issued in definitive form and in the form of Global Bearer Bonds for such Series (the "Bonds") pursuant to the Floating Rate Bond Fiscal Agency Agreement dated as of April 7, 1993 (as amended and in effect from time to time, the "Fiscal Agency Agreement") among Argentina, Citibank, N.A., as Fiscal Agent, Authenticating Agent, Paying Agent, Transfer Agent, Registrar and Calculation Agent and Citibank (Luxembourg) S.A., as Authenticating Agent, Paying Agent and Transfer Agent (said banks and their successors as such Fiscal Agents, Authenticating Agents, Paying Agents, and Calculation Agent being hereinafter called the "Fiscal Agent", "Authenticating Agent", "Paying Agent", and "Calculation Agent", respectively), the terms of which are hereby incorporated herein by reference. Each Authenticating Agent, any Paying Agent, the Calculation Agent and the Fiscal Agent are hereinafter sometimes collectively called the "Agents". Copies of (i) the Fiscal Agency Agreement and (ii) the Floating Rate Bond Exchange Agreement, dated as of December 6, 1992, among Argentina, the Persons named therein as Purchasers, Citibank, N.A., as Closing Agent, the financial institutions named therein as Debt Agreement Agents and the Promissory Note Agent named therein are on file and available for inspection at the corporate trust offices of the Fiscal Agent in the Borough of Manhattan, City of New York and at such other offices of the Fiscal Agent as are from time to time designated as Paying Agents for the Bonds, and reference thereto is hereby made for a description of the rights and limitations of rights thereunder of the holders of the Bonds or the Coupons and the duties and immunities of the Agents. The holders of the Bonds, the holders of the Principal Coupons and the holders of the Interest Coupons relating to the Bonds, whether or not such Principal Coupons and Interest Coupons are attached to such Bonds, will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of these terms and conditions and the Fiscal Agency Agreement. The Fiscal Agent is not a trustee for the Bondholders and does not have the same responsibilities or duty to act for the Bondholders as a trustee. Capitalized terms used in this Bond have the meanings specified in the Fiscal Agency Agreement unless otherwise defined herein.

(b) The definitive Bonds are issuable in bearer form, with Coupons attached, in denominations of U.S.\$250,000 or other denominations permitted by the Fiscal Agency Agreement. The Bonds may not be subdivided or combined. Title to the Bonds, the Principal Coupons and the Interest Coupons shall pass by delivery.

(c) Argentina and each of the Agents may deem and treat the bearer of this Bond, any Principal Coupon or any Interest Coupon as the absolute owner thereof (whether or not such Bond, Principal Coupon or Interest Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment thereof or on account thereof and for all other purposes and neither Argentina nor any Agent shall be affected by any notice to the contrary.

(d) This Bond is the direct, general and unconditional obligation of Argentina, and the full faith and credit of Argentina is pledged for the due and punctual payment of the principal of, and interest on, this Bond and for the due and punctual performance of all obligations of Argentina with respect hereto.

2. Payments and Paying Agencies.

(a) Each payment in respect of this Bond will be made (i) in the case of principal, against presentation on or after the applicable Principal Payment Date and surrender for cancellation of the relevant Principal Coupons (together with this Bond in the case of the final installment of principal) or, in the case of the Permanent Global Bearer Bond, upon endorsement thereof, at the specified office located outside the United States of any of the Paying Agents, or (ii) in the case of interest, against presentation on or after the applicable Interest Payment Date and surrender for cancellation of the relevant Interest Coupons or, in the case of the Permanent Global Bearer Bond, upon endorsement thereof, at the specified office located outside the United States of any of

6. Insert the date which is the earlier of the 12th anniversary of the Exchange Date and March 31, 2005.

7. Insert, for each Series, the Series designation (i.e.: Series L and Series U).

the Paying Agents. Such payments of principal of and interest on this Bond will be made by check drawn on, or (at the option of any holder of at least U.S.\$1,000,000 in aggregate principal amount of Bonds and/or Interest Coupons appertaining to such aggregate principal amount of Bonds) by wire transfer to an account maintained by the holder hereof with a bank in New York City or London. Notwithstanding anything to the contrary herein, Argentina shall appoint Paying Agents in the United States for payments in respect of this Bond if payment in U.S. Dollars at all Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of such amounts in U.S. Dollars.

(b) All payments with respect to this Bond will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts.

(c) If the due date for payment of any amount of principal of, or interest on, this Bond (or any additional amount under Paragraph 5 below relating thereto) is not a Business Day (or, in the case of any such payment at the office of a Paying Agent other than in London, is a day on which banks are required or authorized to close at such location), then payment need not be made until the next day which is a Business Day (or, in the case of any such payment at the office of a Paying Agent other than in London, which is a day on which banks are not required or authorized to close at such location), and the holder of this Bond or any Coupon appertaining hereto shall not be entitled to any further interest or other payment in respect of any such delay.

As used herein, "Interest Payment Date" means (i) [] [8] [], (ii) each successive [] [9] [] and [] [9] [] of each calendar year through [] [10] [], 200_, which is the stated maturity date of this Bond and (iii) the date on which the principal amount of this Bond is paid in full. If an Interest Payment Date falls on any day which is not a Business Day, such Interest Payment Date will be postponed to the next day which is a Business Day unless such next succeeding Business Day occurs in a subsequent calendar month in which case such Interest Payment Date will be the next preceding Business Day.

As used herein, "Business Day" means a day on which (i) dealings are carried on in the London interbank market and (ii) banks are not required or authorized to close in New York City.

3. Rate of Interest.

(a) For purposes of calculating the rate of interest payable on the Bonds, Argentina, pursuant to the Fiscal Agency Agreement, has appointed Citibank, N.A. as Calculation Agent. The rate of interest payable from time to time in respect of the Bonds (the "Rate of Interest") will be determined on the basis of the following provisions:

On the second London Banking Day (as defined below) (an "Interest Determination Date") before the commencement of an Interest Period (as defined herein), the Calculation Agent will determine the rate per annum at which deposits in U.S. Dollars for an interest period of six months commencing in two London Banking Days from the Interest Determination Date are offered by each of the banks named on the Reuters Screen LIBO Page to leading banks in the London interbank market as quoted on the Reuters Screen LIBO Page at 11:00 A.M. (London time) on such Interest Determination Date. The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations (being at least two) as displayed on the Reuters Screen LIBO Page and as determined by the Calculation Agent. As used herein, "London Banking Day" means a day on which banks are open for business in London and dealings are carried on in the London interbank market.

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8. Insert the date which is the six-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 9. Insert the dates which are, respectively, the 12-month and 18-month anniversaries of the earlier of the Exchange Date and March 31, 1993.
 10. Insert the date which is the earlier of the 12th anniversary of the Exchange Date and March 31, 2005.

If, on any Interest Determination Date, the Reuters Screen LIBO Page is not being displayed, or only one such offered quotation appears, then the following rule shall apply:

(i) The Calculation Agent shall request the principal London office of each of the Reference Banks (as defined herein) to provide the Calculation Agent with the rate per annum at which deposits in U.S. Dollars for an interest period of six months commencing in two London Banking Days from the Interest Determination Date are offered by each of them to leading banks in the London interbank market in an amount substantially equal to U.S.\$5,000,000 at 11:00 A.M. (London time) on such Interest Determination Date. The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations as determined by the Calculation Agent.

(ii) If only two of the Reference Banks provide such offered quotations, the Rate of Interest for the relevant Interest Period shall be determined as described above on the basis of the offered quotations of those Reference Banks providing such quotations.

(iii) If none or only one of the Reference Banks provides the Calculation Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be either (A) 13/16% per annum above the arithmetic mean of the U.S. Dollar lending rates which leading New York City banks, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting at 11:00 A.M. (London time) on the Interest Determination Date for the relevant Interest Period to the principal London offices of the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent, being so made or (B) in the event that the Calculation Agent cannot obtain two such quotations, 13/16% per annum above the lowest U.S. Dollar lending rate which leading banks in New York City, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting on the Interest Determination Date to leading international banks for the relevant Interest Period; provided that if the banks selected as aforesaid by the Calculation Agent are not providing the relevant quotations, the Rate of Interest for the next Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which the above paragraphs shall have applied.

The term "Reference Banks" means the principal office in London of each of Lloyds Bank Plc, The Bank of Tokyo, Ltd. and Citibank, N.A. The term "Reuters Screen LIBO Page" means the display designated as Page "LIBO" on the Reuters Monitor Money Rate Service ("Reuters") (or such other page as may replace, for the purpose of displaying London interbank offered rates of major banks, the LIBO page on that service).

As used herein, "Interest Period" means the period beginning on (and including) [[11]] and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) The Calculation Agent will, as soon as possible after 11:00 A.M. (London time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable on each U.S.\$1,000 (the "Minimum Multiple") in principal amount of Bonds (the "Interest Amount") for the relevant Interest Period. The Interest Amount shall be calculated by (i) applying the Rate of Interest to the Minimum Multiple, (ii) multiplying such amount by the actual number of days in the Interest Period and (iii) dividing by 360 and rounding to the nearest whole cent. The interest payable on principal amounts of Bonds shall be calculated by multiplying the Interest Amount by a fraction, the numerator of which is the principal amount of such Bond and the denominator of which is the Minimum Multiple and by rounding the resulting figure to the nearest U.S. Dollar (half a U.S. Dollar being rounded upwards). The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall, in the absence of manifest error, be final and binding upon all parties.

(c) The Calculation Agent will cause notice of the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be given to the Fiscal Agent[, to the Luxembourg

11. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

Stock Exchange or any other exchange on which the Bonds are listed (for so long as the Bonds are listed thereon)]¹² and to Argentina and shall use its best efforts to cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be published in accordance with the notice provisions contained herein as soon as possible after each Interest Determination Date but in no event later than the fifth Business Day thereafter.

(d) Argentina agrees that, so long as any of the Bonds remains outstanding (or, if earlier, until all of the Bonds have become due and payable (whether at stated maturity, upon call for redemption or otherwise) and moneys for the payment thereof and all other amounts payable with respect to the Bonds shall have been made available at the corporate trust office of the Fiscal Agent), there shall at all times be three Reference Banks and a Calculation Agent. In the event that (i) any such bank is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent (as the case may be) or (ii) in case the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period, in accordance with the Fiscal Agency Agreement Argentina shall appoint another leading bank active in the London interbank market (other than BCRA or any Argentine Bank) to act as a Reference Bank or the Calculation Agent (as the case may be) in its place. The Calculation Agent may not resign its duties without a successor having been appointed.

(e) In the event that any principal or interest on this Bond, or any other amount payable hereunder is not paid when due, Argentina shall pay interest (to the extent permitted by applicable law) on such unpaid principal or interest or unpaid other amount from the date such principal or interest or other amount is due until the date such principal or interest or other amount is paid in full, payable on demand, at a rate per annum equal to the sum of 1% plus the Rate of Interest as determined from time to time in accordance with Paragraph 3(a) hereof.

4. Redemption and Repurchase.

(a) Optional Redemption of Bonds. The Bonds may be redeemed, without premium or penalty, on any Interest Payment Date, at the option of Argentina, in whole or in part, upon notice as described below, at a redemption price equal to the principal amount thereof, together with the amount of interest accrued and unpaid as of the date of the redemption; provided, however, that no default in the payment of principal of, or interest on, any of the Bonds and the Other Bonds (as defined herein) has occurred and is continuing; provided further that if, at the time of such redemption, less than the entire amount of Bonds and Other Floating Rate Bonds (as defined herein) is redeemed, Bonds and Other Floating Rate Bonds shall be redeemed on a pro rata basis based on the outstanding principal amount of Bonds and Other Floating Rate Bonds.

As used in this Bond:

"Bond Agreements" means the Floating Rate Bond Exchange Agreement, the Fiscal Agency Agreement, the Floating Rate Bonds, the Obligor Consent, the BCRA Undertaking and all other documentation necessary for the exchange of Reconciled EI for the Floating Rate Bonds.

"Floating Rate Bonds" means the Floating Rate Bonds Series L Due 200_ issued by Argentina and the Floating Rate Bonds Series U Due 200_ issued by Argentina.

"Other Bonds" means the Other Floating Rate Bonds and the Principal Bonds.

"Other Floating Rate Bonds" means Floating Rate Bonds other than the Bonds.

"Principal Bond Agreements" means the Principal Bond Exchange Agreement, the USD Fiscal Agency Agreement, the DMK Fiscal Agency Agreement, each Collateral Pledge Agreement for the Principal Bonds, the Obligor Consent, the BCRA Undertaking and any other agreement or instrument or document delivered thereunder which may be necessary for the Exchange of Reconciled ED for Principal Bonds.

12. Insert for Series L Bonds only.

"Principal Bonds" means (i) the Collateralized Discount Series Bonds Due 202_, USD Series L and USD Series U, (ii) the Collateralized Par Series Bonds Due 202_, USD Series L, USD Series U and (iii) the DMK Par Series Bonds Due 202_ and the DMK Discount Series Bonds Due 202_, in each case, issued by Argentina.

"Registered Bonds" means Floating Rate Bonds in definitive registered form, substantially in the form of Exhibit 1B to the Floating Rate Bond Fiscal Agency Agreement.

"Series" means each of Series L and Series U of the Floating Rate Bonds.

(b) **Mandatory Redemption of Bonds.** If Argentina shall voluntarily prepay, purchase or otherwise acquire for value, in whole or in part, earlier than contemplated by the original payment schedule therefor, any obligation to any Official Source (other than obligations owed directly to another government) incurred prior to the Exchange Date or in respect of which a commitment from any such Official Source was obtained and at least one disbursement thereunder was made prior to the Exchange Date (an **"Official Credit"**), then Argentina shall, in accordance with the procedures set forth in clause (c) below, designate the First Interest Payment Date falling at least 60 days after the date of such prepayment as the mandatory redemption date (a **"Mandatory Redemption Date"**) and shall redeem on such Mandatory Redemption Date the Bonds and Other Floating Rate Bonds submitted for redemption, at par, without premium or penalty, in an amount equal to the product of the U.S. Dollar equivalent of the amount of such prepayment of such Official Credits multiplied by a fraction, the numerator of which is the unpaid principal amount of such Bond or Other Floating Rate Bond submitted for redemption, and the denominator of which is the aggregate unpaid principal amount of all Bonds and Other Floating Rate Bonds to be redeemed on the Mandatory Redemption Date; provided that (i) a repurchase by Argentina of amounts of its currency in response to a notification by the IMF made in accordance with the Articles of Agreement of the IMF and policies of the Executive Board of the IMF of general applicability to all members of the IMF, as reflected, when purchases are made by Argentina under a stand-by or other arrangement, in the text of such arrangements, shall not be considered a voluntary prepayment for purposes of this provision and (ii) the foregoing mandatory redemption obligation shall not arise by virtue of any voluntary prepayment of any Official Credit to the extent that such Official Credit is refinanced by funds advanced by any Official Source on terms more favorable to Argentina than those of the refinanced Official Credit; and provided further that the foregoing mandatory redemption obligation shall not arise by virtue of a voluntary prepayment of an Official Credit if and to the extent that, at the time of such voluntary prepayment, the aggregate amount of voluntary prepayments of Official Credits made by Argentina since the Exchange Date (other than voluntary prepayments under clauses (i) and (ii) of the foregoing proviso and voluntary prepayments which require mandatory redemptions under this provision) is less than or equal to the Proceeds Amount (as defined below) of Collateral (as defined in the Collateral Pledge Agreement) released since the Exchange Date as a result of the cancellation of Principal Bonds. As used herein, **"Proceeds Amount"** means, for the Collateral (as defined in the Collateral Pledge Agreement) released to Argentina since the Exchange Date as a result of the cancellation of Principal Bonds, an amount equal to the sum of the following:

(A) in the case of any Collateral so released consisting of cash, the amount thereof; and

(B) in the case of any Principal Collateral (as defined in the Collateral Pledge Agreement) or Interest Collateral (as defined in the Collateral Pledge Agreement) so released other than cash, the aggregate net cash proceeds obtained from the sale thereof.

(c) **Redemption Procedures.**

(i) Notice of any redemption of Bonds shall be given by publication, not less than 30 nor more than 60 days before the date fixed for redemption. Notice having been given, the unpaid principal amount of each Bond (or portion thereof) called for redemption pursuant to Paragraph 4(a) above or submitted for redemption pursuant to Paragraph 4(c)(ii) below shall become due and payable on the date fixed for redemption as provided herein upon presentation and surrender of such Bond (together with all unmatured Coupons appertaining thereto, subject to Paragraph 4(c)(iv) below) on the date of redemption in accordance with the provisions for payment of the scheduled final installment of principal in Paragraph 2(a) hereof. In the case of any Bond redeemed only in part, upon presentation of such Bond and surrender for cancellation of the unmatured Coupons appertaining thereto a new Bond with associated Coupons for the portion thereof not redeemed shall be delivered in exchange therefor and, if applicable, the final maturity date of which shall be adjusted to give effect to such redemption and the corresponding reduction in the unpaid principal of such Bond. Any payments for the partial redemption of

Bonds shall be applied to the principal installments of, or Principal Coupons appertaining to, such Bonds in the inverse order of their maturities. Any redemption of all or a portion of a principal installment of a Bond in accordance with this Paragraph 4 will not affect the obligation of Argentina to pay interest accrued to (but excluding) the redemption date on such principal installment (or portion thereof) in accordance with the terms of this Bond.

(ii) Any Bondholder electing to redeem a Bond subject to redemption under Paragraph 4(b) above, must deposit such Bond together with all Coupons appertaining thereto (whether the original Coupons attached thereto or unattached Coupons identical as to date and amount) with the Fiscal Agent or any Paying Agent located outside the United States or, in the case of a holder of a beneficial interest in a Global Bond, must irrevocably instruct Euroclear or Cedel, as the case may be, as to its election and, in each case, deliver to the Fiscal Agent a redemption notice substantially in the form of Exhibit 3 to the Fiscal Agency Agreement completed by such Bondholder or, in the case of a Global Bond, by the Common Depositary, not less than 15 days prior to the Mandatory Redemption Date. No such election, and no Bond so deposited, may be withdrawn without the prior consent of Argentina and any Bond not so deposited or beneficial interest not so transferred shall not be redeemed under Paragraph 4(b) above. If the holder of this Bond is unable to deliver any unmatured Coupon appertaining hereto (whether the original Coupon attached hereto or an unattached Coupon which is identical as to date and amount), then such Bond may not be redeemed under Paragraph 4(b) above.

(iii) From and after the redemption date for any Bond (or portion thereof), if moneys for the redemption of such Bond (or portion thereof) shall have been made available as provided herein, such Bond (or portion thereof) shall cease to bear interest (and no payment shall be made in respect of any Interest Coupon appertaining to such Bond, each of which shall be void), and the only right of the holder of such Bond and Coupons appertaining thereto shall be to receive payment of the redemption price, and in the case of a Bond and Coupons appertaining thereto redeemed only in part, to receive a new Bond for the portion thereof not redeemed.

(iv) If the holder of this Bond upon a call for redemption pursuant to Paragraph 4(a) hereof is unable to deliver any unmatured Coupon appertaining hereto (whether the original Coupon attached hereto or an unattached Coupon which is identical as to date and amount) then such redemption may be effected if such holder furnishes such security or indemnity as Argentina and the Fiscal Agent may require to save each of them harmless.

(v) After the redemption of any portion of this Bond, Argentina shall deliver a duly executed and authenticated new Bond to each holder of any such Bond, with Interest Coupons and Principal Coupons attached reflecting the new amortization schedule of such Bond.

(vi) For purposes of this Bond, a default in the payment of principal of, or interest on, the Bonds or any Other Bonds which has occurred shall be deemed to be continuing until Argentina has deposited, or caused to be deposited in accordance with Section 6(b) of the Fiscal Agency Agreement, or Section 5(b) of the USD Fiscal Agency Agreement or Section 5(b) of the DMK Fiscal Agency Agreement, as the case may be (or, in the case of the Principal Bonds, if the Collateral Agent (as defined in the Collateral Pledge Agreement) has deposited amounts with the Fiscal Agent in accordance with Section 4.04 of the Collateral Pledge Agreement with respect to such Principal Bonds) amounts sufficient to pay the principal and/or interest due on such Bonds or Other Bonds to the date of payment of such principal and/or interest.

(d) Repurchase of Bonds. Argentina or any Argentine Governmental Agency may for any consideration (whether in the form of cash, debt securities, investments, equity in privatized companies or otherwise) at any price and time repurchase Bonds and/or Coupons, by tender (available to all holders of Bonds and Other Floating Rate Bonds alike) or in the open market or otherwise; provided in each case that:

(A) neither Argentina nor any Argentine Governmental Agency (other than an Argentine Bank (i) for its trading account in the ordinary course of business or (ii) for the account of customers that are not Argentine Governmental Agencies) may, directly or indirectly, purchase Bonds for cash or any form of Indebtedness of Argentina or any Argentine Governmental Agency so long as a default in the payment of principal of, or interest on, any of the Bonds or the Other Bonds has occurred and is continuing; and

(B) any definitive Bond purchased or otherwise acquired by, or on behalf of, Argentina must be surrendered to a non-U.S. office of the Fiscal Agent or a Paying Agent for cancellation and, if Argentina shall purchase or otherwise acquire any beneficial interest in a Global Bearer Bond, Argentina shall request

Euroclear or Cedel, as the case may be, to cancel such beneficial interest and shall request the Fiscal Agent to direct the Common Depository to reflect such cancellation of such beneficial interest on the Schedule to such Global Bearer Bond, each such surrender, or request for cancellation, to be made by Argentina promptly after such purchase or acquisition.

If Argentina shall purchase or otherwise acquire any Bond, such purchase or other acquisition shall not operate as or be deemed for any purpose to be a discharge or satisfaction of the indebtedness represented by such Bond until the provisions of clause 4(d)(B) above have been met.

5. Taxes; Payment of Additional Amounts.

(a) Payments Free and Clear. Any and all payments by Argentina hereunder or under any of the Coupons appurtenant hereto shall be made free and clear of and without deduction for any and all present or future taxes, levies, assessments, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (i) imposed by Argentina (or any political subdivision or taxing authority thereof or therein or any organization or federation of which Argentina is at any time a member) (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Argentine Taxes") or (ii) imposed by any other jurisdiction (or any political subdivision or taxing authority thereof or therein or any organization or federation of which such jurisdiction is at any time a member) from or through which any payment hereunder is made (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Paying Agency Taxes" and, together with the Argentine Taxes, the "Applicable Taxes"); provided, however, that Applicable Taxes shall not include, (x) Argentine Taxes that are (A) imposed on an Argentine Person or (B) imposed on a Person who is deemed to have a permanent establishment in Argentina to which this Bond, and the income therefrom, is attributable (unless this Bond or any such Coupon, as the case may be, is being held or booked or payments hereunder are received in Argentina solely to enforce any rights hereunder that otherwise would not, in the opinion of independent counsel of recognized standing, be exercisable or (y) Paying Agency Taxes that (A) are imposed by reason of any connection between the Purchaser and the taxing jurisdiction other than entering into the Bond Agreements, holding the Bonds or receiving payment thereon, (B) are required to be deducted or withheld by any Paying Agent from payment of this Bond if such payment can be made without such deduction or withholding by any other Paying Agent or (C) would not have been imposed but for the presentation by the holder of this Bond or any of the Coupons appurtenant hereto for payment more than 30 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later. If Argentina, or a Paying Agent shall be required by law to deduct any Applicable Taxes from or in respect of any sum payable by it hereunder or under any of the Coupons appurtenant hereto:

(1) the sum payable shall be increased as may be necessary so that after making all required deductions of such Applicable Taxes (including deductions of such Applicable Taxes applicable to additional sums payable under this Section), the holder of this Bond or any of the Coupons appurtenant hereto receives an amount equal to the sum it would have received had no such deductions of such Applicable Taxes been made;

(2) Argentina or such Paying Agent shall make such deductions; and

(3) Argentina or such Paying Agent shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law.

(b) Payment of Stamp Taxes. In addition, Argentina agrees to pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies and any related interest or penalties incidental thereto imposed by Argentina or any political subdivision or taxing authority thereof or therein which arise from any payment made by Argentina or a Paying Agent hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, the Bonds and the other Bond Agreements (hereinafter referred to as "Other Applicable Taxes").

(c) Tax Certificates. Within 30 days after the date of any payment of Applicable Taxes or Other Applicable Taxes by Argentina or a Paying Agent, Argentina or such Paying Agent will furnish to the Fiscal Agent the original or a certified copy of a receipt evidencing payment thereof. The Fiscal Agent shall furnish each such Bondholder to which Argentina made or is obligated to make a payment that resulted in such Applicable Taxes or

Other Applicable Taxes with, if practicable, an original of such receipt or certified copy or, if insufficient originals are available for distribution, shall provide each such Bondholder with access to an original.

(d) Survival. Without prejudice to the survival of any other agreement of Argentina hereunder, the agreements and obligations of Argentina contained in this Paragraph 5 shall survive the payment in full of all payment due hereunder or under the other Bond Agreements and the performance of any other obligations hereunder, thereunder or under the Coupons.

6. Valid Obligations.

Argentina represents and agrees that all action has been taken and all conditions precedent have occurred so that this Bond and all the obligations herein contained shall be valid and legally enforceable obligations of Argentina in accordance with their terms, including without limitation all acts or things necessary or appropriate under the Constitution, laws and regulations of Argentina.

7. Payment of Unclaimed Amounts.

Subject to Section 12(b) of the Fiscal Agency Agreement, any moneys paid by Argentina to the Fiscal Agent (or remitted by the Fiscal Agent to any other Paying Agent) for payment of principal of, or interest on, any of the Bonds shall be held in trust by the Fiscal Agent or such Paying Agent for the Bondholders to be paid to such Bondholders in accordance with Sections 6(a) and 6(b)(i) of the Fiscal Agency Agreement. Any moneys so held remaining unclaimed at the end of two years after such principal or interest shall have become due and payable (whether at maturity or upon call for redemption or otherwise) shall be repaid to Argentina on its written demand, and upon such repayment such trust shall terminate and all liability of the Fiscal Agent and each Paying Agent with respect to such moneys shall cease, and a Bondholder presenting a claim therefor shall thereafter look only to Argentina for payment thereof; provided that such repayment shall not limit in any way any obligation which Argentina may have to pay the principal of, or interest on, the Bonds as the same shall become due.

8. Covenants.

(a) Affirmative Covenants. Argentina covenants and agrees that, so long as any Bond remains outstanding, Argentina shall:

(i) Maintenance of Argentine Authorizations. Duly obtain and maintain in full force and effect all Argentine Authorizations necessary under the laws of Argentina for the performance by Argentina of the Bonds or any other Bond Agreement or for the validity or enforceability of the Bonds or of the other Bond Agreements and duly take all necessary and appropriate governmental and administrative action in Argentina, in order for Argentina to be able to make all payments to be made by Argentina under the Bonds and the other Bond Agreements.

(ii) Pari Passu. Ensure that at all times its obligations hereunder constitute unconditional general obligations of Argentina ranking at least pari passu in priority of payment with (A) all other Indebtedness of Argentina which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos and (B) all obligations of Argentina with respect to any Indebtedness issued by a Designated Argentine Governmental Agency which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos.

(iii) Debt Conversion Program. Maintain the eligibility of the Bonds for tender in Argentina's debt conversion program.

(iv) Maintenance of Membership in International Financial Institutions. Maintain at all times its membership in the IMF, IBRD and IADB and continue to be eligible to use the general resources of the IMF.

(v) Annual Economic Report. Furnish to the Fiscal Agent and, for so long as the Bonds are listed on the Luxembourg Stock Exchange, to Citibank (Luxembourg) S.A., as listing agent, sufficient copies of the Annual Economic Report of BCRA ("Memoria Anual"), or comparable economic information.

(vi) Maintenance of Agents. Until two years after the later of the date on which the principal of all the Bonds shall have become due and payable (whether at maturity or upon call for redemption or otherwise) and the date on which moneys for the payment thereof and of all interest on the Bonds shall have been made available to the Fiscal Agent, to maintain a Fiscal Agent and an Authenticating Agent in the Borough of Manhattan, City of New York (which in each case shall be a commercial bank or trust company (other than BCRA or an Argentine Bank), or any affiliate thereof, having a combined capital and surplus of at least U.S.\$1,000,000,000 (or the equivalent in other currencies), legally qualified to act as such Agent and having an established place of business in the Borough of Manhattan, City of New York). Subject to the foregoing, Argentina reserves the right at any time to vary or terminate the appointment of the Agents in the manner, and to the extent, provided in Paragraph 15 hereof and in the Fiscal Agency Agreement.

[(vii) Listing. Make application for listing the Bonds on the Luxembourg Stock Exchange and use its best efforts to (x) ensure listing thereon and (y) once the Bonds are so listed, to maintain the listing of the Bonds thereon or, if maintenance thereon is not practicable, on another internationally recognized securities exchange.]¹³

(b) Negative Covenants. For so long as any of the Bonds remain outstanding, Argentina shall not:

(i) Until the earlier of (x) the date on which 50% of the aggregate principal amount of the Bonds and Other Floating Rate Bonds is repaid or cancelled and (y) the seventh anniversary of _____ [14] _____ (provided that on such seventh anniversary no default in the payment of principal of, or interest on, the Bonds and Other Floating Rate Bonds has occurred and is continuing), Argentina shall not create or suffer to exist, or permit BCRA to create or suffer to exist, any Lien upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any Publicly Issued External Indebtedness of Argentina or BCRA unless, on or prior to the date such Lien is created or comes into existence, the obligations of Argentina under the Bonds and the Other Floating Rate Bonds are secured equally and ratably with such Publicly Issued External Indebtedness; excluding, however, from the operation of the foregoing provisions, (i) any Lien upon property to secure the purchase price of such property or any Publicly Issued External Indebtedness incurred solely for the purpose of financing the acquisition of the property to be subject to such Lien; (ii) any Lien existing on such property at the time of its acquisition which secures any Publicly Issued External Indebtedness; (iii) any Lien created in connection with the transactions contemplated by the Principal Bond Agreements, including Liens to secure obligations under the Principal Bonds and Liens securing Indebtedness outstanding on the date hereof to the extent required to be equally and ratably secured with the Principal Bonds; (iv) any Lien in existence as of June 23, 1992; (v) any Lien securing Publicly Issued External Indebtedness issued upon surrender or cancellation of (A) Principal Bonds or (B) the principal amount of any Indebtedness outstanding as of June 23, 1992, in each case, to the extent such Lien is created to secure such Publicly Issued External Indebtedness on a basis comparable to the Principal Bonds; (vi) any Lien securing or providing for the payment of Publicly Issued External Indebtedness incurred in connection with any Project Financing (as defined below); provided that the properties to which any such Lien applies are (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties; (vii) any Lien on any Principal Bond created or granted to secure Publicly Issued External Indebtedness of Argentina incurred in connection with, or on or after the date of, the purchase or acquisition of such Principal Bonds; and (viii) any renewal or extension of any such Liens described in clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) above; provided, however, that no such renewal or extension of any Lien under clauses (i) or (ii) above shall extend to or cover any property other than the property being acquired and no such renewal or extension of any lien described in clauses (i) through (vii) shall extend to or cover any property not theretofore subject to the Lien being extended or renewed, but shall remain limited to the original property covered thereby. As used herein, the term "Project Financing" means any financing (but not a refinancing) of the acquisition, construction or development of any properties in connection with a

13. Include for Series L Bonds only.

14. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced and have been provided with a feasibility study prepared by competent independent experts on the basis of which it was reasonable to conclude that such project would generate sufficient income in currencies other than Pesos to repay substantially all of the principal of and interest on all Publicly Issued External Indebtedness incurred in connection with such project; and "Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or other preferential arrangement having the practical effect of constituting a security interest.

(ii) Directly or indirectly seek any restructuring or rescheduling of the Bonds or any provisions thereof, nor will it directly or indirectly seek or request any loans, advances, extensions of credit or other financial accommodation from any holders of Bonds or any affiliates thereof based on such holdings.

[(iii) Make, nor grant permission to make, application to list the Bonds on any stock exchange.]¹⁵

9. Events of Default.

If any of the following events (each an "Event of Default") shall occur and be continuing:

(a) interest on any Bond is not paid when due and such default continues for a period of at least 30 days; or

(b) Argentina fails to pay (i) the principal amount of the Bonds when due, or (ii) the principal amount of any Bond called for redemption when due for a period of 15 days; or

(c) Argentina defaults in the performance of any other obligation contained in the Bonds or the other Bond Agreements relating to the Bonds and such default shall continue for a period of 90 days after written notice thereof shall have been given to Argentina at the office of the Fiscal Agent by any Bondholder; or

(d) (i) the holders of 25% or more in aggregate outstanding principal amount of any issue or series of Publicly Issued External Indebtedness of Argentina or any Designated Argentine Governmental Agency (including any Other Bonds), as a result of any failure to pay the principal of, or interest on, such Publicly Issued External Indebtedness, accelerate such Publicly Issued External Indebtedness or declare such Publicly Issued External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and such acceleration, declaration or prepayment shall not have been annulled or rescinded within 30 days thereof or (ii) Argentina or any Designated Argentine Governmental Agency fails to pay the principal of any such Publicly Issued External Indebtedness when due (after expiration of any applicable grace period), or (iii) Argentina fails to pay any interest when due under any Other Bonds (after expiration of any applicable grace period); or

(e) Argentina declares a moratorium with respect to the payment of principal of, or interest on, Publicly Issued External Indebtedness of Argentina; or

(f) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Argentina in connection with any judgment in respect of External Indebtedness (other than External Indebtedness under the Debt Agreements) for the payment of money exceeding U.S.\$100 million (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 45 consecutive days without a stay of execution, unless the same is adequately bonded or is being contested by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

15. Insert for Series U Bonds only. The Series L Bonds will be listed on the Luxembourg Stock Exchange.

(g) the validity of the Bonds or the other Bond Agreements relating thereto shall be contested by Argentina;

then, if such event is continuing, holders of 25% or more in aggregate outstanding principal amount of the Bonds may, by written demand to Argentina at the office of the Fiscal Agent, declare the Bonds immediately due and payable, whereupon the entire unpaid principal amount of the Bonds, all interest accrued and unpaid thereon and all other amounts payable in respect of the Bonds shall become and be forthwith due and payable, without presentation, demand, protest or further notice of any kind, all of which are hereby expressly waived by Argentina. Any such declaration shall be made by written demand to Argentina at the office of the Fiscal Agent in New York City. Upon receipt by the Fiscal Agent of such written demand, the Fiscal Agent shall give notice thereof to Argentina, as provided in the Fiscal Agency Agreement, and to the holders of the Bonds, by publication. After any such declaration, if all amounts then due with respect to the Bonds are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Bonds are cured, such declaration may be annulled and rescinded by holders of more than 50% in aggregate outstanding principal amount of the Bonds (or such other percentage required at a meeting of Bondholders in accordance with Paragraph 11 hereof) by written notice thereof to Argentina at the office of the Fiscal Agent.

10. Replacement of Bonds and Coupons.

(a) In case of the mutilation, destruction, loss or theft of this Bond or any Coupon appurtenant hereto, the Fiscal Agent, upon surrender to and cancellation by it of the mutilated Bond or Coupon, or upon receipt of proof satisfactory to it and Argentina of the destruction, loss or theft of such Bond or Coupon, and receipt of security or indemnity satisfactory to the Fiscal Agent, to the Authenticating Agent and to Argentina, and in the absence of notice to Argentina or any Agent that this Bond or such Coupon has been acquired by a Person in whose possession such Bond constitutes a valid obligation of Argentina, shall deliver, a new Bond or a new Coupon, as the case may be, of such Series in replacement of such Bond or Coupon to the person requesting such replacement upon payment by such person of all reasonable expenses associated with obtaining such security or indemnity and issuing and delivering a new Bond (including, without limitation, reasonable legal fees and reasonable fees relating to the preparation, authentication and delivery of such new Bond).

(b) All Bonds or Coupons issued as a result of any replacement of Bonds or Coupons shall be delivered to the holder at the office of the Fiscal Agent or (at the risk and, if sent other than by regular mail, expense of such holder) sent by mail to such address as is specified by the holder in the request for replacement.

(c) This Bond may be exchanged for Floating Rate Bonds of the same Series in registered form, in accordance with the terms and provisions of the Fiscal Agency Agreement.

11. Meetings of Bondholders; Modification and Amendments.

(a) Upon not less than 15 days' prior notice to the Fiscal Agent, Argentina may at any time call a meeting of the Bondholders of any Series pursuant to the notice provisions of the Fiscal Agency Agreement for any purpose, such meeting to be held at such time and place as Argentina shall determine. Upon a request in writing made by Bondholders holding not less than 10% of the aggregate outstanding principal amount of the Bonds of any Series, the Fiscal Agent shall, convene a meeting of Bondholders of such Series. Further provisions concerning meetings of Bondholders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement (subject to the provisions of Section 16 of the Fiscal Agency Agreement), or the Bonds requiring Bondholder consent may be made, and future compliance therewith or past default by Argentina may be waived, with the consent of Argentina and Bondholders holding at least a majority in aggregate principal amount of the Bonds at the time outstanding, or of such lesser percentage (determined as provided in subparagraph (c) below) as may act at a meeting of Bondholders held in accordance with the provisions of the Fiscal Agency Agreement; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Bond may, without the consent of each Bondholder affected thereby, (i) change the stated maturity or any date fixed for payment of the principal of or interest due on such Bond; (ii) reduce the principal of, or interest on, any such Bond; (iii) change the currency of payment of the principal of, or interest on, any such Bond; or (iv) reduce the above-stated percentage of aggregate principal amount of Bonds outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and

binding on all holders of the Bonds and Coupons whether or not they have given consent or were present at such meeting, and on all future holders of Bonds and Coupons whether or not notation of such modifications, amendments or waivers is made upon the Bonds. Subject to the foregoing provisions of this Paragraph 11(b), any instrument given by or on behalf of any holder of a Bond or Coupon in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Bond or Coupon.

(c) At a meeting of the Bondholders called for any of the above purposes, persons entitled to vote a majority in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum, it being understood that any Bondholder entitled to more than one vote shall not be required to cast all such votes in the same manner. In the absence of a quorum within 30 minutes of the time approved for such meeting, such meeting may be adjourned for a period of not less than ten days; at the reconvening of any meeting adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than to make any declaration under Paragraph 9 hereof) shall be effectively passed, subject to the provisos of subparagraph (b) above, if passed by the persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Bonds then outstanding or (ii) 75% in aggregate principal amount of the Bonds and detached Principal Coupons represented and voting at the meeting.

12. Notices.

All notices to Bondholders will be given by publication thereof in The Wall Street Journal (Eastern Edition), [and]* the Financial Times (London) (or if either or both of such newspapers is not being published, in at least one leading daily newspaper printed in the English language and with general circulation in New York City or London, as the case may be) [and, so long as the Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued listing thereon, in the Luxemburger Wort (or if such newspaper is not being published, in a daily newspaper of general circulation in Luxembourg)¹⁶ or, if publication in [either]¹⁶ London [or Luxembourg]¹⁶ is not practical, elsewhere in western Europe). Any such notice shall be deemed to have been given on the date of such publication (or, if published more than once, on the date it is first published).

13. Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to any Bondholder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

14. Delay or Omission Not Waiver.

No delay or omission of the Bondholders to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Paragraph 14 or by law to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Bondholders.

15. Maintenance of Paying Agents.

Argentina may vary or terminate the appointment of any Paying Agent at any time and from time to time upon giving not less than 60 days' notice to the Fiscal Agent; provided that Argentina shall maintain at all times at least one Paying Agent in London. [In addition, Argentina shall maintain at all times a Paying Agent in Luxembourg as long as the Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued

* Delete for Series L Bonds.

16. Delete for Series U Bonds.

listing thereon.]¹⁶ Notice of any change in a Paying Agent shall be given to Bondholders in accordance with Paragraph 12 hereof.

16. Execution.

This Bond and all appurtenant Coupons hereto may be executed by manual or facsimile signature of an Authorized Official and such signature shall be binding notwithstanding that the individual signing in such capacity no longer serves in such capacity at the time of an authentication by an Authenticating Agent. This Bond shall not constitute an obligation of Argentina until the certificate of authentication hereon has been countersigned for identification by an Authenticating Agent.

17. Jurisdiction and Waiver of Immunity.

(a) Argentina hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in New York City, the High Court of Justice in London, any Federal court sitting in the City of Buenos Aires and any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Bond, and Argentina hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such New York State or Federal court, in the High Court of Justice in London or any Federal court sitting in the City of Buenos Aires. Argentina irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding and any objection to any such suit, action or proceeding whether on the grounds of venue, residence or domicile. A final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in any other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Argentina hereby irrevocably appoints (i) the New York office of Banco de la Nación Argentina (the "New York Process Agent"), with an office on the date hereof at 299 Park Avenue, 2nd floor, New York, New York 10171, United States and, alternatively, hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 1633 Broadway, 23rd floor, New York, New York 10019, United States (the "Alternate New York Process Agent"), in each case, as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such action or proceeding brought in such New York State or Federal court sitting in New York City and (ii) the London office of Banco de la Nación Argentina (the "London Process Agent", and together with the New York Process Agent, the "Process Agents"), with an office on the date hereof at Longbow House, 14-20 Chiswell Street, London EC1Y 4SD, England and hereby alternatively irrevocably appoints The Law Debenture Trust Corporation p.l.c., with an office on the date hereof at Prince's House, 95 Gresham St., London EC2V 7LY, England (the "Alternate London Process Agent" and, together with the Alternate New York Process Agent, the "Alternate Process Agents"), in each case, as its agent to receive on behalf of itself and its property service of copies of a writ, summons, order, judgment or other document which may be served in any such action or proceeding brought in the High Court of Justice in London. Service of any such process may be made upon an Alternate Process Agent in lieu of the applicable Process Agent in any action or proceeding in any New York State or Federal court sitting in New York City or the High Court of Justice in London if (i) at any time and for any reason it appears to the party attempting to serve the process that service of such process upon any Process Agent as provided above may be ineffective or may not be feasible and (ii) upon or before the serving of any process on any Alternate Process Agent, the Alternate Process Agent and Argentina are notified that service of such process is to be made on such Alternate Process Agent in accordance with the provisions of this sentence. Such service may be made by mailing or delivering a copy of such process to Argentina in care of the appropriate Process Agent or Alternate Process Agent at the address specified above for such Process Agent or Alternate Process Agents and, in the case of process served on an Alternate Process Agent, by depositing a copy of such process in the United States mails, addressed to Argentina at the address specified in Section 14 of the Fiscal Agency Agreement (such service to be effective upon the delivery of such process to the Alternate Process Agent and the depositing of such process in the United States mails as aforesaid), and Argentina hereby irrevocably authorizes and directs such Process Agent or Alternate Process Agents to accept such service on its behalf. Failure of any Process Agent or Alternate Process Agent to give notice to Argentina or failure of Argentina to receive notice of such service of process shall not affect in any way the validity of such service on the Process Agent, the Alternate Process Agent or Argentina. As an alternative method of service, Argentina also irrevocably consents to the service of any and all process in any such suit, action or proceeding in such New York State or Federal court sitting in New York City or the High Court of Justice in London by the mailing of copies of such process to Argentina at its address specified in Section 14 of the Fiscal

Agency Agreement. Argentina covenants and agrees that it shall take any and all reasonable action, including the execution and filing of any and all documents, that may be necessary to continue the designations of Process Agents and Alternate Process Agents above in full force and effect, and to cause each Process Agent and Alternate Process Agent to continue to act as such.

(c) Nothing in this Paragraph 17 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

(d) To the extent that Argentina has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Argentina hereby irrevocably waives such immunity in respect of its obligations under the Bonds, the Other Floating Rate Bonds and the other Bond Agreements, and, without limiting the generality of the foregoing, Argentina (A) agrees that the waivers set forth in this Paragraph 17 shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such act; and (B) consents generally for the purposes of the State Immunity Act 1978 of the United Kingdom to the giving of any relief or the issue of any process. Notwithstanding the foregoing, Argentina shall not waive any such immunity (1) with respect to the assets which constitute freely available reserves, pursuant to Article 6 of the Convertibility Law, the amount, composition and investment of which will be reflected on the balance sheet and accounting statement of BCRA consistently prepared pursuant to Article 5 of the Convertibility Law and (2) with respect to property of the public domain located in the territory of Argentina or property owned by Argentina and located in its territory which is dedicated to the purpose of an essential public service.

18. BCRA Undertaking.

The holder of this Bond is entitled to the benefit of the Banco Central Undertaking dated as of April 7, 1993, given to the Fiscal Agent, the Closing Agent, the Agents under the Fiscal Agency Agreement, the Purchasers under the Floating Rate Bond Exchange Agreement and the Bondholders to, inter alia, exchange for U.S. dollars or Deutsche Mark (each a "Principal Bond Currency") such funds as are transferred to it by Argentina in connection with the Bonds and the Bond Agreements (as defined in the Fiscal Agency Agreement), subject to certain conditions in respect of Principal Bond Currencies not being freely available in the market, Principal Bond Currencies being available to Banco Central and the prior transfer by Argentina to Banco Central of the equivalent in pesos of the Principal Bond Currencies (the "BCRA Undertaking"). Such undertaking shall not constitute a guaranty of Argentina's obligations hereunder.

19. Descriptive Headings.

The descriptive headings appearing in these Terms and Conditions are for convenience of reference only and shall not alter, limit or define the provisions hereof.

[FORM OF PRINCIPAL COUPON]

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED UNDER SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

REPUBLIC OF ARGENTINA

FLOATING RATE BOND DUE 200_ 11

Principal
Coupon No. []
Relating to
Bond No. []

PRINCIPAL PAYMENT DATE
FALLING DUE IN [MONTH], [YEAR]

On the Principal Payment Date (as defined in the Bond to which this Coupon appertains) falling in the month and year set forth hereon, subject to the Terms and Conditions of the Bonds, THE REPUBLIC OF ARGENTINA shall pay to BEARER, upon presentation and surrender for cancellation of this Coupon, at the specified offices of the Fiscal Agent or any Paying Agent set out on the reverse hereof (or any further or other Fiscal Agent or Paying Agents or specified offices duly appointed or nominated and notified to the holders), an amount equal to the product of (x) the unpaid principal amount of the Bond to which this Coupon appertains outstanding on the Principal Payment Date indicated above, without taking into account any payments made thereon in respect of any mandatory or optional redemption, multiplied by (y) the applicable amortization factor for such Principal Payment Date (as indicated on the face of the Bond to which this Coupon appertains).

Payment of this Principal Coupon will be made by United States dollar check drawn on a bank in New York City or, at the BEARER's option (subject to the terms and conditions of such Bond), by wire transfer to a United States dollar account maintained by the BEARER with a bank in the City of New York or London.

THIS PRINCIPAL COUPON IS SUBJECT TO THE TERMS AND CONDITIONS OF THE BOND TO WHICH THIS COUPON APPERTAINS, WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREON, INCLUDING ALL PROVISIONS REGARDING REDEMPTION PRIOR TO MATURITY.

REPUBLIC OF ARGENTINA

By: _____
[Authorized Signatory]

1. Insert, for each Series, the Series designation (i.e.: Series L and Series U).

[FORM OF INTEREST COUPON]

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED UNDER SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

REPUBLIC OF ARGENTINA

FLOATING RATE BOND DUE 200_ 11

Interest
Coupon No. []
Relating to
Bond No. []

INTEREST PAYMENT DATE
FALLING DUE IN [MONTH], [YEAR]

On the Interest Payment Date (as defined in the Bond to which this Interest Coupon appertains) falling on the date set forth hereon, subject to the Terms and Conditions of the Bonds, THE REPUBLIC OF ARGENTINA shall pay to BEARER, upon presentation and surrender for cancellation of this Coupon, at the specified offices of the Fiscal Agent or any Paying Agent set out on the reverse hereof (or any further or other Fiscal Agent or Paying Agents or specified offices duly appointed or nominated and notified to the holders), an amount equal to interest (at a rate determined in accordance with the Terms and Conditions of such Bond) on the unpaid principal amount of such Bond (such amount being determined in accordance with the terms and conditions of such Bond), together with any additional amounts payable under the Terms and Conditions of such Bond.

Payment of this Interest Coupon will be made by United States dollar check drawn on a bank in New York City or, at the BEARER's option (subject to the terms and conditions of such Bond), by wire transfer to a United States dollar account maintained by the BEARER with a bank in the City of New York or London.

THIS INTEREST COUPON IS SUBJECT TO THE TERMS AND CONDITIONS OF THE BOND TO WHICH THIS COUPON APPERTAINS, WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREON, INCLUDING ALL PROVISIONS REGARDING REDEMPTION PRIOR TO MATURITY.

REPUBLIC OF ARGENTINA

By: _____
[Authorized Signatory]

1. Insert, for each Series, the Series designation (i.e.: Series L and Series U).

DESCRIPTION OF THE REGISTERED FLOATING RATE BONDS

The text appearing on the face of each Registered Floating Rate Bond will read substantially as follows.

[THIS BOND HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATIONS OF THE UNITED STATES SECURITIES ACT OF 1933), EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS BOND IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE FISCAL AGENCY AGREEMENT REFERRED TO BELOW.][1]

[ORIGINAL ISSUE DISCOUNT LEGEND, AS REQUIRED BY THE FISCAL AGENCY AGREEMENT.]

SALE OR TRANSFER IN BEARER FORM OF PARTICIPATIONS, OR BENEFICIAL INTERESTS, HEREIN MAY SUBJECT THE SPONSOR THEREOF TO SANCTIONS PURSUANT TO SECTION 4701 OF THE UNITED STATES INTERNAL REVENUE CODE.

[THIS BOND MAY NOT BE LISTED ON ANY STOCK EXCHANGE.]*

THE PRINCIPAL AMOUNT OF THIS BOND OUTSTANDING AT ANY TIME MAY BE LESS THAN THE FACE AMOUNT HEREOF.

[THIS BOND MAY NOT BE SOLD OR TRANSFERRED AND SHALL BE CANCELLED IN ACCORDANCE WITH SECTION 6(k) OF THE FISCAL AGENCY AGREEMENT. PAYMENTS IN RESPECT HEREOF SHALL BE MADE IN ACCORDANCE WITH SECTION 6(b)(ii) OF THE FISCAL AGENCY AGREEMENT.]**

1. This legend will be included on (i) all Bonds issued in connection with the U.S. Offering and (ii) all Bonds issued on transfer or exchange of, or in substitution for, any such Bonds until the legend may be removed in accordance with Section 7 of the Fiscal Agency Agreement (as defined herein).

* Insert for Series U Bonds only. The Series L Bonds will be listed on the Luxembourg Stock Exchange.

** Insert for definitive Bonds exchanged for beneficial interests in the U.S. Temporary Escrow Global Registered Floating Rate Bond.

No. ____ - ____

Principal Amount U.S. \$ [2]

REPUBLIC OF ARGENTINA

Floating Rate Bond Due 200_*
([3])

THE REPUBLIC OF ARGENTINA ("Argentina"), for value received, hereby unconditionally promises to pay to [4], or registered assigns, (i) the principal sum of [2] UNITED STATES DOLLARS (U.S.\$ [2]) (the "Principal Amount"), in 19 consecutive semiannual installments in the manner set forth below, commencing on [5] and on each Principal Payment Date (as defined herein) thereafter through the nineteenth Principal Payment Date; provided that the last such installment shall be in the amount necessary to repay in full the amount of the Principal Amount outstanding on the last Principal Payment Date on presentation and surrender of this Bond, and to pay, (ii) interest on each Interest Payment Date (as defined herein), in arrears, on the principal sum hereof outstanding from time to time at the applicable Rate of Interest (as defined herein) from the most recent Interest Payment Date to which interest has been paid, or if no interest has been paid from [6], until the principal hereof shall have been paid in full or payment thereof duly provided for and to pay interest on overdue amounts of principal and interest hereunder as provided in the Terms and Conditions (as defined herein).

Payments of the Principal Amount shall be made on each Principal Payment Date in an amount equal to the product of (x) the unpaid principal amount of this Bond outstanding on such Principal Payment Date, without taking into account any mandatory or optional redemption, multiplied by (y) the amortization factor (expressed as a fraction) set forth below for such Principal Payment Date:

-
- * Insert the earlier of the year in which the 12th anniversary of the Exchange Date occurs and the year 2005.
2. Insert face amount.
3. Insert, for each Series, the Series designation (i.e.: Series L and Series U).
4. Insert registered holder of this Bond.
5. Insert the date which is the third anniversary of the earlier of the Exchange Date and March 31, 1993.
6. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

Principal Payment Falling Due in:	Amorti- zation Factor	Principal Payment (\$) Per \$1,000 Face Amount	Principal Payment	Amorti- zation Factor	Principal Payment (\$) Per \$1,000 Face Amount
[]*, 1996	1/100	10	[]*, 2001	8/72	80
[]**, 1996	1/99	10	[]**, 2001	8/64	80
[]*, 1997	1/98	10	[]*, 2002	8/56	80
[]**, 1997	1/97	10	[]**, 2002	8/48	80
[]*, 1998	1/96	10	[]*, 2003	8/40	80
[]**, 1998	1/95	10	[]**, 2003	8/32	80
[]*, 1999	1/94	10	[]*, 2004	8/24	80
[]**, 1999	5/93	50	[]**, 2004	8/16	80
[]*, 2000	8/88	80	[]*, 2005	8/8	80
[]**, 2000	8/80	80			

As used herein, "Principal Payment Date" means each ___[7]___ and ___[7]___ of each calendar year, commencing on ___[8]___. If a Principal Payment Date falls on any day which is not a Business Day, such Principal Payment Date will be postponed to the next day which is a Business Day unless such next succeeding Business Day occurs in a subsequent calendar month in which case such Principal Payment Date will be the next preceding Business Day.

The principal and interest payable on any Principal Payment Date and Interest Payment Date, respectively, will, subject to certain conditions set forth in the Terms and Conditions hereinafter referred to, be paid to the person in whose name this Bond is registered at the close of business in New York on the 15th day next preceding such Principal Payment Date or Interest Payment Date.

Reference is made to the further provisions set forth under the Terms and Conditions of the Bonds endorsed on the reverse hereof (the "Terms and Conditions"), which shall for all purposes have the same effect as though fully set forth at this place.

This Bond shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Authenticating Agent under the Fiscal Agency Agreement (as defined herein).

* Insert the month in which the first Principal Payment Date occurs.

** Insert the month in which the six-month anniversary of the first Principal Payment Date occurs.

7. Insert the dates which are respectively the 12-month and 18-month anniversaries of the earlier of the Exchange Date and March 31, 1993.

8. Insert the date which is the third anniversary of the earlier of the Exchange Date and March 31, 1993.

THIS BOND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, Argentina has caused this Bond to be duly executed with the manual or facsimile signature of an Authorized Official in _____.

Dated: _____, 199_

THE REPUBLIC OF ARGENTINA

By _____
Title:

Certificate of Authentication:

This is one of the Bonds referred to in the within-mentioned Fiscal Agency Agreement.

CITIBANK, N.A., as Authenticating Agent OR CITIBANK (LUXEMBOURG) S.A., as Authenticating Agent

By _____
Authorized Signatory

By _____
Authorized Signatory

Dated: _____

Dated: _____

The terms and conditions which will be endorsed on the reverse of each Registered Floating Rate Bond will read substantially as follows.

1. General.

(a) This Bond is one of a [Series of]^{10A} duly authorized Floating Rate Bonds in registered form Due 200[9] ([10]) of Argentina issued in definitive form and in the form of Global Registered Bonds for such Series (the "Bonds") pursuant to the Floating Rate Bond Fiscal Agency Agreement dated as of April 7, 1993 (as amended and in effect from time to time, the "Fiscal Agency Agreement") among Argentina, Citibank, N.A., as Fiscal Agent, Authenticating Agent, Paying Agent, Registrar, Transfer Agent and Calculation Agent and Citibank (Luxembourg) S.A., as Authenticating Agent, Paying Agent and Transfer Agent (said banks and their successors as such Fiscal Agents, Authenticating Agents, Registrar, Paying Agents, Transfer Agents and Calculation Agent being hereinafter called the "Fiscal Agent", "Authenticating Agent", "Registrar", "Paying Agent", "Transfer Agent" and "Calculation Agent", respectively), the terms of which are hereby incorporated herein by reference. Each Authenticating Agent, the Registrar, any Paying Agent, any Transfer Agent, the Calculation Agent and the Fiscal Agent are hereinafter sometimes collectively called the "Agents". Copies of (i) the Fiscal Agency Agreement and (ii) the Floating Rate Bond Exchange Agreement, dated as of December 6, 1992, among Argentina, the Persons named therein as Purchasers, Citibank, N.A., as Closing Agent, the financial institutions named therein as Debt Agreement Agents and the Promissory Note Agent named therein are on file and available for inspection at the corporate trust offices of the Fiscal Agent in the Borough of Manhattan, City of New York and at such other offices of the Fiscal Agent as are from time to time designated as Paying Agents or Transfer Agents for the Bonds, and reference thereto is hereby made for a description of the rights and limitations of rights thereunder of the holders of the Bonds and the duties and immunities of the Agents. The Bondholders will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Terms and Conditions and the Fiscal Agency Agreement. The Fiscal Agent is not a trustee for the Bondholders and does not have the same responsibilities or duty to act for the Bondholders as a trustee. Capitalized terms used in this Bond have the meanings specified in the Fiscal Agency Agreement unless otherwise defined herein.

(b) The definitive Bonds are issuable as fully registered Bonds, without coupons, in denominations of U.S.\$250,000 and multiples of U.S.\$250,000 in excess thereof or in other denominations as permitted by the Fiscal Agency Agreement. The Bonds are issued only as whole Bonds that include all interest and principal components and may not be separated, directly or indirectly, into component interest and principal portions.

(c) This Bond is the direct, general and unconditional obligation of Argentina, and the full faith and credit of Argentina is pledged for the due and punctual payment of the principal of, and interest on, this Bond and for the due and punctual performance of all obligations of Argentina with respect hereto.

2. Payments and Paying Agencies.

(a) The principal of this Bond will be paid by Argentina, when due on each of the Principal Payment Dates, to the holder of record of this Bond at the close of business in New York City on the record date for such Principal Payment Date and on the last Principal Payment Date (in the case of the last Principal Payment Date, against presentation and surrender hereof or, in the case of the Non-U.S. Permanent Global Registered Bond, upon presentation on or after the applicable Principal Payment Date of the Non-U.S. Permanent Global Registered Bond for endorsement) at the office of the Fiscal Agent, and at the offices of such other Paying Agents as Argentina may appoint from time to time, by check drawn on, or (at the option of any holder of at least U.S.\$1,000,000 in aggregate principal amount of Bonds) by wire transfer to an account maintained by the registered holder hereof with

9. Insert the date which is the earlier of the 12th anniversary of the Exchange Date and March 31, 2005.

10. Insert, for each Series, the Series designation (i.e.: Series L and Series U). Omit for U.S. Temporary Escrow Global Registered Bond.

10A. Omit for U.S. Temporary Escrow Global Registered Bond.

a bank in London or New York City. The record date for each Principal Payment Date will be the 15th day before such Principal Payment Date. Argentina has initially appointed the principal offices of Citibank, N.A. in New York City and London, and of Citibank (Luxembourg) S.A. in Luxembourg, as Paying Agents at which the principal of this Bond will be payable (subject to applicable laws and regulations).

(b) Interest payable on this Bond on an Interest Payment Date (as defined below) will (except as provided in subparagraph (c) below) be paid to the holder of record of this Bond at the close of business in New York City on the record date for such Interest Payment Date by check mailed by the Fiscal Agent to the last address for such holder appearing on the register of Bonds or (at the option of each holder of at least U.S.\$1,000,000 principal amount of Bonds) by wire transfer to an account with a bank in New York City or London designated by such holder by the record date for such Interest Payment Date. The record date for each Interest Payment Date will be the 15th day before such Interest Payment Date.

(c) If and to the extent Argentina shall default in the payment of (i) the principal due on any Principal Payment Date and such default shall not be cured within 30 days or (ii) the interest due on any Interest Payment Date and such default shall not be cured within 30 days (unless such overdue principal or interest is paid together with principal of this Bond in full other than on an Interest Payment Date), such overdue principal or interest shall be paid to the person in whose name this Bond is registered at the close of business in New York City on a subsequent record date (which shall be not less than five Business Days (as defined herein) before the date of payment of such overdue principal or interest) established by notice given by mail and publication by or on behalf of Argentina to Bondholders not less than 15 days before such subsequent record date. If overdue principal or interest is paid together with principal in full on a date which is not a Principal Payment Date or an Interest Payment Date, as the case may be, such interest shall be paid upon presentation and surrender of this Bond (or, in the case of the Non-U.S. Permanent Registered Global Bond, upon presentation for endorsement) to the Fiscal Agent in New York City as provided in subparagraph (a) above.

(d) All payments with respect to this Bond will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts.

(e) If the due date for payment of any amount of principal of, or interest on, this Bond (or any additional amounts under Paragraph 5 below relating thereto) is not a Business Day (or, in the case of any such payment at the office of a Paying Agent outside New York or London, is a day on which banks are required or authorized to close at such location), then payment need not be made until the next day which is a Business Day (or, in the case of any such payment at the office of a Paying Agent other than in London or New York City, which is a day on which banks are not required or authorized to close at such location), and the holder of this Bond shall not be entitled to any interest or other payment in respect of any such delay.

As used herein, "Interest Payment Date" means (i) [] [11]], (ii) each successive [] [12]] and [] [12]] of each calendar year through [] [13]], 200_, which is the stated maturity of this Bond and (iii) the date on which the principal amount of this Bond is paid in full. If an Interest Payment Date falls on any day which is not a Business Day, such Interest Payment Date will be postponed to the next day which is a Business Day unless such next succeeding Business Day occurs in a subsequent calendar month in which case such Interest Payment Date will be the next preceding Business Day.

As used herein, "Business Day" means a day on which (i) dealings are carried on in the London interbank market and (ii) banks are not required or authorized to close in New York City.

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11. Insert the date which is the 6-month anniversary of the earlier of the Exchange Date and March 31, 1993.
 12. Insert the dates which are respectively the 12-month and 18-month anniversaries of the earlier of the Exchange Date and March 31, 1993.
 13. Insert the date which is the 12th anniversary of the earlier of the Exchange Date and March 31, 1993.

3. Rate of Interest.

(a) For purposes of calculating the rate of interest payable on the Bonds, Argentina, pursuant to the Fiscal Agency Agreement, has appointed Citibank, N.A. as Calculation Agent. The rate of interest payable from time to time in respect of the Bonds (the "Rate of Interest") will be determined on the basis of the following provisions:

On the second London Banking Day (as defined below) (an "Interest Determination Date") before the commencement of an Interest Period (as defined herein), the Calculation Agent will determine the rate per annum at which deposits in U.S. Dollars for an interest period of six months commencing in two London Banking Days from such Interest Determination Date are offered by each of the banks named on the Reuters Screen LIBO Page to leading banks in the London interbank market as quoted on the Reuters Screen LIBO Page at 11:00 A.M. (London time) on such Interest Determination Date. The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations (being at least two) as displayed on the Reuter's Screen LIBO Page and as determined by the Calculation Agent. As used herein, "London Banking Day" means a day on which banks are open for business in London and dealings are carried on in the London interbank market.

If, on any Interest Determination Date, the Reuters Screen LIBO Page is not being displayed, or only one such offered quotation appears, then the following rule shall apply:

(i) The Calculation Agent shall request the principal London office of each of the Reference Banks (as defined herein) to provide the Calculation Agent with the rate per annum at which deposits in U.S. Dollars for an interest period of six months commencing in two London Banking Days from such Interest Determination Date are offered by each of them to leading banks in the London interbank market in an amount substantially equal to U.S.\$5,000,000 at 11:00 A.M. (London time) on such Interest Determination Date. The Rate of Interest for such Interest Period shall, except as provided below, be 13/16% per annum above the average (rounded upward, if not a whole multiple of 1/16%, to the nearest 1/16%) of such offered quotations as determined by the Calculation Agent.

(ii) If only two of the Reference Banks provide such offered quotations, the Rate of Interest for the relevant Interest Period shall be determined as described above on the basis of the offered quotations of those Reference Banks providing such quotations.

(iii) If none or only one of the Reference Banks provides the Calculation Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be either (A) 13/16% per annum above the arithmetic mean of the U.S. Dollar lending rates which leading New York City banks, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting at 11:00 A.M. (London time) on the Interest Determination Date for the relevant Interest Period to the principal London offices of the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent, being so made or (B) in the event that the Calculation Agent cannot obtain at least two such quotations, 13/16% per annum above the lowest U.S. Dollar lending rate which leading banks in New York City, selected by the Calculation Agent after consultation with an Authorized Official of Argentina, are quoting on the Interest Determination Date to leading international banks for the relevant Interest Period; provided that if the banks selected as aforesaid by the Calculation Agent are not providing the relevant quotations, the Rate of Interest for the next Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which the above paragraphs shall have applied.

The term "Reference Banks" means the principal office in London of each of Lloyds Bank Plc, The Bank of Tokyo, Ltd. and Citibank, N.A. The term "Reuters Screen LIBO Page" means the display designated as Page "LIBO" on the Reuters Monitor Money Rate Service ("Reuters") (or such other page as may replace, for the purpose of displaying London interbank offered rates of major banks, the LIBO page on that service).

As used herein, "Interest Period" means the period beginning on (and including) [] [14]] and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) The Calculation Agent will, as soon as possible after 11:00 A.M. (London time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable on each U.S.\$1,000 (the "Minimum Multiple") in principal amount of Bonds (the "Interest Amount") for the relevant Interest Period. The Interest Amount shall be calculated by (i) applying the Rate of Interest to the Minimum Multiple, (ii) multiplying such amount by the actual number of days in the Interest Period and (iii) dividing by 360 and rounding to the nearest whole cent. The interest payable on principal amounts of Bonds shall be calculated by multiplying the Interest Amount by a fraction, the numerator of which is the principal amount of such Bond and the denominator of which is the Minimum Multiple, and by rounding the resulting figure to the nearest U.S. Dollar (half a U.S. Dollar being rounded upwards). The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall, in the absence of manifest error, be final and binding upon all parties.

(c) The Calculation Agent will cause notice of the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be given to the Fiscal Agent [, to the Luxembourg Stock Exchange or any other exchange on which the [Series L]^{15A} Bonds [for which this Bond is exchangeable in accordance with the terms of the Fiscal Agency Agreement]^{15A} are listed (for so long as the Bonds are listed thereon)]¹⁵ and to Argentina and shall use its best efforts to cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be published in accordance with the notice provisions contained herein as soon as possible after each Interest Determination Date but in no event later than the fifth Business Day thereafter.

(d) Argentina agrees that, so long as any of the Bonds remains outstanding (or, if earlier, until all of the Bonds have become due and payable (whether at stated maturity, upon call for redemption or otherwise) and moneys for the payment thereof and all other amounts payable with respect to the Bonds shall have been made available at the corporate trust office of the Fiscal Agent), there shall at all times be three Reference Banks and a Calculation Agent. In the event that (i) any such bank is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent (as the case may be) or (ii) in case the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period, in accordance with the Fiscal Agency Agreement Argentina shall appoint another leading bank active in the London interbank market (other than BCRA or any Argentine Bank) to act as a Reference Bank or Calculation Agent (as the case may be) in its place. The Calculation Agent may not resign its duties without a successor having been appointed.

(e) In the event that any principal or interest on this Bond, or any other amount payable hereunder, is not paid when due, Argentina shall pay interest (to the extent permitted by applicable law) on such unpaid principal or interest or unpaid other amount from the date such principal or interest or other amount is due until the date such principal or interest or other amount is paid in full, payable on demand, at a rate per annum equal to the sum of 1% plus the Rate of Interest as determined from time to time in accordance with Paragraph 3(a) hereof.

4. Redemption and Repurchase.

(a) Optional Redemption of Bonds. The Bonds may be redeemed, without premium or penalty, on any Interest Payment Date, at the option of Argentina, in whole or in part, upon notice as described below, at a redemption price equal to the principal amount thereof, together with the amount of interest accrued and unpaid as of the date of the redemption; provided, however that no default in the payment of principal of, or interest on, any of the Bonds and the Other Bonds (as defined herein) has occurred and is continuing; provided further that if,

14. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

15. Insert for Series L Bonds and U.S. Temporary Escrow Global Registered Bond only.

15A. Insert for U.S. Temporary Escrow Global Registered Bond.

at the time of such redemption, less than the entire amount of Bonds and Other Floating Rate Bonds (as defined herein) is redeemed, Bonds and Other Floating Rate Bonds shall be redeemed on a pro rata basis based on the outstanding principal amount of Bonds and Other Floating Rate Bonds.

As used in this Bond:

"Bond Agreements" means the Floating Rate Bond Exchange Agreement, the Floating Rate Bonds, the Fiscal Agency Agreement, the Obligor Consent, the BCRA Undertaking and all other documentation necessary for the exchange of Reconciled EI for the Floating Rate Bonds.

"Floating Rate Bonds" means the Floating Rate Bonds Series L Due 200_ issued by Argentina and the Floating Rate Bonds Series U Due 200_ issued by Argentina.

"Other Bonds" means the Other Floating Rate Bonds and the Principal Bonds.

"Other Floating Rate Bonds" means the Floating Rate Bonds other than the Bonds.

"Principal Bond Agreements" means the Principal Bond Exchange Agreement, the USD Fiscal Agency Agreement, the DMK Fiscal Agency Agreement, each Collateral Pledge Agreement for Principal Bonds, the Obligor Consent, the BCRA Undertaking and any other agreement or instrument or document delivered thereunder which may be necessary for the exchange of Reconciled ED for the Principal Bonds.

"Principal Bonds" means (i) the Collateralized Discount Bonds Due 202_, USD Series L and USD Series U, (ii) the Collateralized Par Bonds Due 202_, USD Series L and USD Series U and (iii) DMK Discount Series Bonds Due 202_ and the DMK Par Series Bonds Due 202_, in each case, issued by Argentina.

"Registered Bonds" means Floating Rate Bonds in definitive registered form, substantially in the form hereunder, without coupons.

"Series" means each of Series L and Series U of the Floating Rate Bonds.

(b) Mandatory Redemption of Bonds. If Argentina shall voluntarily prepay, purchase or otherwise acquire for value, in whole or in part, earlier than contemplated by the original payment schedule therefor, any obligation to any Official Source (other than obligations owed directly to another government) incurred prior to the Exchange Date or in respect of which a commitment from any such Official Source was obtained and at least one disbursement thereunder was made prior to the Exchange Date (an "Official Credit"), then Argentina shall, in accordance with the procedures set forth in clause (c) below, designate the First Interest Payment Date falling at least 60 days after the date of such prepayment as a mandatory redemption date (a "Mandatory Redemption Date") and shall redeem on such Mandatory Redemption Date the Bonds and Other Floating Rate Bonds submitted for redemption, at par, without premium or penalty, in an amount equal to the product of the U.S. Dollar equivalent of the amount of such prepayment of such Official Credits multiplied by a fraction, the numerator of which is the unpaid principal amount of such Bond or Other Floating Rate Bond submitted for redemption, and the denominator of which is the aggregate unpaid principal amount of all Bonds and Other Floating Rate Bonds to be redeemed on the Mandatory Redemption Date; provided that (i) a repurchase by Argentina of amounts of its currency in response to a notification by the IMF made in accordance with the Articles of Agreement of the IMF and policies of the Executive Board of the IMF of general applicability to all members of the IMF, as reflected, when purchases are made by Argentina under a stand-by or other arrangement, in the text of such arrangements, shall not be considered a voluntary prepayment for purposes of this provision and (ii) the foregoing mandatory redemption obligation shall not arise by virtue of any voluntary prepayment of any Official Credit to the extent that such Official Credit is refinanced by funds advanced by any Official Source on terms more favorable to Argentina than those of the refinanced Official Credit; and provided further that the foregoing mandatory redemption obligation shall not arise by virtue of a voluntary prepayment of an Official Credit if and to the extent that, at the time of such voluntary prepayment, the aggregate amount of voluntary prepayments of Official Credits made by Argentina since the Exchange Date (other than voluntary prepayments under clauses (i) and (ii) of the foregoing proviso and voluntary prepayments which require mandatory redemptions under this provision) is less than or equal to the Proceeds Amount (as defined below) of Collateral (as defined in the Collateral Pledge Agreement) released since the

Exchange Date as a result of the cancellation of Principal Bonds. As used herein, "Proceeds Amount" means, for the Collateral (as defined in the Collateral Pledge Agreement) released to Argentina since the Exchange Date as a result of the cancellation of Principal Bonds, an amount equal to the sum of the following:

(A) in the case of any Collateral so released consisting of cash, the amount thereof; and

(B) in the case of any Principal Collateral (as defined in the Collateral Pledge Agreement) or Interest Collateral (as defined in the Collateral Pledge Agreement) so released other than cash, the aggregate net cash proceeds obtained from the sale thereof.

(c) Redemption Procedures.

(i) Notice of any redemption of Bonds shall be given by mail and by publication, not less than 30 nor more than 60 days before the date fixed for redemption. Notice having been given, the unpaid principal amount of each Bond (or portion thereof) called for redemption pursuant to Paragraph 4(a) above or submitted for redemption pursuant to Paragraph 4(c)(ii) below shall become due and payable on the date fixed for redemption as provided herein upon presentation and surrender of such Bond on the date of redemption in accordance with the provisions for payment of the scheduled final installment of principal in Paragraph 2(a) hereof. In the case of any Bond redeemed only in part, a new Bond for the portion thereof not redeemed shall be delivered in exchange therefor, and, if applicable, the final maturity date of which shall be adjusted to give effect to such redemption and corresponding reduction in the unpaid principal of such Bond. Any payments for the partial redemption of Bonds shall be applied to the principal installments of such Bonds in the inverse order of their maturities. Any redemption of all or a portion of a principal installment of a Bond in accordance with this Paragraph 4 will not affect the obligation of Argentina to pay interest accrued to (but excluding) the redemption date on such principal installment (or portion thereof) in accordance with the terms of this Bond.

(ii) Any Bondholder electing to redeem a Bond subject to redemption under Paragraph 4(b) above must deposit such Bond with the Fiscal Agent or any Paying Agent, or, in the case of the holder of a beneficial interest in a Global Bond, must irrevocably instruct Euroclear or Cedel, as the case may be, as to its election and, in each case, deliver to the Fiscal Agent a redemption notice substantially in the form of Exhibit 3 to the Fiscal Agency Agreement completed by such Bondholder or, in the case of a Global Bond, by the Common Depositary, not less than 15 days prior to the date fixed for redemption. No such election, and no Bond so deposited, may be withdrawn without the prior consent of Argentina and any Bond not so deposited or beneficial interest not so transferred shall not be redeemed under Paragraph 4(b) above.

(iii) From and after the redemption date for any Bond (or portion thereof), if moneys for the redemption of such Bond (or portion thereof) shall have been made available as provided herein, such Bond (or portion thereof) shall cease to bear interest, and the only right of the holder of such Bond shall be to receive payment of the redemption price, and in the case of a Bond redeemed only in part, to receive a new Bond for the portion thereof not redeemed.

(iv) For purposes of this Bond, a default in the payment of principal of, or interest on, the Bonds or any Other Bonds which has occurred shall be deemed to be continuing until Argentina has deposited, or caused to be deposited, in accordance with Section 6(b) of the Fiscal Agency Agreement or Section 5(b) of the USD Fiscal Agency Agreement or the DMK Fiscal Agency Agreement, as the case may be (or in the case of the Principal Bonds, if the Collateral Agent (as defined in the Collateral Pledge Agreement) has deposited amounts with the Fiscal Agent in accordance with Section 4.04 of the Collateral Pledge Agreement with respect to such Principal Bonds), amounts sufficient to pay the principal and/or interest due on such Bonds or Other Bonds to the date of payment of such principal and/or interest.

(d) Repurchase of Bonds. Argentina or any Argentine Governmental Agency may for any consideration (whether in the form of cash, debt securities, investments, equity in privatized companies or otherwise) at any price and time repurchase Bonds, by tender (available to all holders of Bonds and Other Floating Rate Bonds alike) or in the open market or otherwise; provided in each case that:

(A) neither Argentina nor any Argentine Governmental Agency (other than an Argentine Bank (i) for its trading account in the ordinary course of business or (ii) for the account of customers that are not Argentine Governmental Agencies) may, directly or indirectly, purchase Bonds for cash or any form of Indebtedness of Argentina or any Argentine Governmental Agency so long as a default in the payment of principal of, or interest on, any of the Bonds or the Other Bonds has occurred and is continuing; and

(B) any definitive Bond purchased or otherwise acquired by, or on behalf of, Argentina must be surrendered to the Fiscal Agent, the Registrar or a Transfer Agent for cancellation and, if Argentina shall purchase or otherwise acquire any beneficial interest in a Global Registered Bond, Argentina shall, in the case of the Non-U.S. Permanent Global Registered Bond, request Euroclear or Cedel, as the case may be, to cancel such beneficial interest and shall request the Fiscal Agent to direct the Common Depository or the Registrar, as the case may be, to reflect such cancellation of such beneficial interest on the Schedule to such Global Registered Bond or the Registrar's records, as the case may be, each such surrender or request for cancellation to be made by Argentina promptly after such purchase or acquisition.

If Argentina shall purchase or otherwise acquire any Bond, such purchase or other acquisition shall not operate as or be deemed for any purpose to be a discharge or satisfaction of the indebtedness represented by such Bond until the provisions of clause 4(d)(B) above have been met.

5. Taxes; Payment of Additional Amounts.

(a) Payments Free and Clear. Any and all payments by Argentina hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, assessments, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (i) imposed by Argentina (or any political subdivision or taxing authority thereof or therein or any organization or federation of which Argentina is at any time a member) (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Argentine Taxes") or (ii) imposed by any other jurisdiction (or any political subdivision or taxing authority thereof or therein or any organization or federation of which such jurisdiction is at any time a member) from or through which any payment hereunder is made (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities being "Paying Agency Taxes" and, together with the Argentine Taxes, the "Applicable Taxes"); provided, however, that Applicable Taxes shall not include, (x) Argentine Taxes that are (A) imposed on an Argentine Person or (B) imposed on a Person who is deemed to have a permanent establishment in Argentina to which this Bond, and the income therefrom, is attributable (unless this Bond is being held or booked or payments hereunder are received in Argentina solely to enforce any rights hereunder that otherwise would not, in the opinion of independent counsel of recognized standing, be exercisable) or (y) Paying Agency Taxes that (A) are imposed by reason of any connection between the Purchaser and the taxing jurisdiction other than entering into the Bond Agreements, holding the Bonds or receiving payment thereon, (B) are required to be deducted or withheld by any Paying Agent from payment of this Bond if such payment can be made without such deduction or withholding by any other Paying Agent or (C) would not have been imposed but for the presentation by the holder of this Bond for payment more than 30 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurs later. If Argentina or a Paying Agent shall be required by law to deduct any Applicable Taxes from or in respect of any sum payable by it hereunder:

(1) the sum payable shall be increased as may be necessary so that after making all required deductions of such Applicable Taxes (including deductions of such Applicable Taxes applicable to additional sums payable under this Section), the holder of this Bond receives an amount equal to the sum it would have received had no such deductions of such Applicable Taxes been made;

(2) Argentina or such Paying Agent shall make such deductions; and

(3) Argentina or such Paying Agent shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law.

(b) Payment of Stamp Taxes. In addition, Argentina agrees to pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies and any related interest or penalties incidental thereto imposed by Argentina or any political subdivision or taxing authority thereof or

therein which arise from any payment made by Argentina or a Paying Agent hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, the Bonds and the other Bond Agreements (hereinafter referred to as "Other Applicable Taxes").

(c) Tax Certificates. Within 30 days after the date of any payment of Applicable Taxes or Other Applicable Taxes by Argentina or a Paying Agent, Argentina or such Paying Agent will furnish to the Fiscal Agent the original or a certified copy of a receipt evidencing payment thereof. The Fiscal Agent shall furnish each such Bondholder to which Argentina made or is obligated to make a payment that resulted in such Applicable Taxes or Other Applicable Taxes with, if practicable, an original of such receipt or certified copy or, if insufficient originals are available for distribution, shall provide each such Bondholder with access to an original.

(d) Survival. Without prejudice to the survival of any other agreement of Argentina hereunder, the agreements and obligations of Argentina contained in this Paragraph 5 shall survive the payment in full of all payment due hereunder or under the other Floating Rate Bond Agreements and the performance of any other obligations hereunder or thereunder.

6. Valid Obligations.

Argentina represents and agrees that all action has been taken and all conditions precedent have occurred so that this Bond and all the obligations herein contained shall be valid and legally enforceable obligations of Argentina in accordance with their terms, including without limitation all acts or things necessary or appropriate under the Constitution, laws and regulations of Argentina.

7. Payment of Unclaimed Amounts.

Subject to Section 12(b) of the Fiscal Agency Agreement, any moneys paid by Argentina to the Fiscal Agent (or remitted by the Fiscal Agent to any other Paying Agent) for payment of principal of, or interest on, any of the Bonds shall be held in trust by the Fiscal Agent or such Paying Agent for the Bondholders to be paid to such Bondholders in accordance with Sections 6(a) and 6(b)(i) of the Fiscal Agency Agreement. Any moneys so held remaining unclaimed at the end of two years after such principal or interest shall have become due and payable (whether at maturity or upon call for redemption or otherwise) shall be repaid to Argentina on its written demand, and upon such repayment such trust shall terminate and all liability of the Fiscal Agent and each Paying Agent with respect to such moneys shall cease, and a Bondholder presenting a claim therefor shall thereafter look only to Argentina for payment thereof; provided that such repayment shall not limit in any way any obligation which Argentina may have to pay the principal of, or interest on, the Bonds as the same shall become due.

8. Covenants.

(a) Affirmative Covenants. Argentina covenants and agrees that, so long as any Bond remains outstanding, Argentina shall:

(i) Maintenance of Argentine Authorizations. Duly obtain and maintain in full force and effect all Argentine Authorizations necessary under the laws of Argentina for the performance by Argentina of the Bonds or any other Bond Agreement or for the validity or enforceability of the Bonds or of the other Bond Agreements and duly take all necessary and appropriate governmental and administrative action in Argentina, in order for Argentina to be able to make all payments to be made by Argentina under the Bonds and the other Bond Agreements.

(ii) Pari Passu. Ensure that at all times its obligations hereunder constitute unconditional general obligations of Argentina ranking at least pari passu in priority of payment with (A) all other Indebtedness of Argentina which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos and (B) all obligations of Argentina with respect to any Indebtedness issued by a Designated Argentine Governmental Agency which by its terms is, or at the option of the holder thereof may be, payable in a currency other than Pesos.

(iii) Debt Conversion Program. Maintain the eligibility of the Bonds for tender in Argentina's debt conversion program.

(iv) Maintenance of Membership in International Financial Institutions. Maintain at all times its membership in the IMF, IBRD and IADB and continue to be eligible to use the general resources of the IMF.

(v) Annual Economic Report. Furnish to the Fiscal Agent and, for so long as the Bonds are listed on the Luxembourg Stock Exchange, to Citibank (Luxembourg) S.A., as listing agent, sufficient copies of (A) the Annual Economic Report of BCRA ("Memoria Anual"), or comparable economic information.

(vi) Maintenance of Agents. Until two years after the later of the date on which the principal of all the Bonds shall have become due and payable (whether at maturity or upon call for redemption or otherwise) and the date on which moneys for the payment thereof and of all interest on the Bonds shall have been made available to the Fiscal Agent, to maintain a Fiscal Agent, an Authenticating Agent, a Registrar and Transfer Agent in the Borough of Manhattan, City of New York (which in each case shall be a commercial bank or trust company (other than BCRA or an Argentine Bank), or any affiliate thereof, having a combined capital and surplus of at least U.S.\$1,000,000,000 (or the equivalent in other currencies), legally qualified to act as such Agent and having an established place of business in the Borough of Manhattan, City of New York). Subject to the foregoing, Argentina reserves the right at any time to vary or terminate the appointment of the Agents in the manner, and to the extent, provided in paragraph 15 hereof and in the Fiscal Agency Agreement.

(vii) Listing. Make application for listing the [Series L]^{16A} Bonds [for which this Bond is exchangeable in accordance with the terms of the Fiscal Agency Agreement]^{16A} on the Luxembourg Stock Exchange and use its best efforts to (x) ensure listing thereon, and (y) once the bonds are so listed, to maintain the listing of the Bonds thereon or, if maintenance on the therein is not practicable, on another internationally recognized securities exchange.]¹⁶

(b) Negative Covenants. For so long as any of the Bonds remains outstanding, Argentina shall not:

(i) Until the earlier of (x) the date on which 50% of the aggregate principal amount of the Bonds and Other Floating Rate Bonds is repaid or cancelled and (y) the seventh anniversary of [17] (provided that on such seventh anniversary no default in the payment of principal of, or interest on, the Bonds and Other Floating Rate Bonds has occurred and is continuing), Argentina shall not create or suffer to exist, or permit BCRA to create or suffer to exist, any Lien upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any Publicly Issued External Indebtedness of Argentina or BCRA unless, on or prior to the date such Lien is created or comes into existence, the obligations of Argentina under the Bonds and the Other Floating Rate Bonds are secured equally and ratably with such Publicly Issued External Indebtedness; excluding, however, from the operation of the foregoing provisions, (i) any Lien upon property to secure the purchase price of such property or any Publicly Issued External Indebtedness incurred solely for the purpose of financing the acquisition of the property to be subject to such Lien; (ii) any Lien existing on such property at the time of its acquisition which secures any Publicly Issued External Indebtedness; (iii) any Lien created in connection with the transactions contemplated by the Principal Bond Agreements, including Liens to secure obligations under the Principal Bonds and Liens securing Indebtedness outstanding on the date hereof to the extent required to be equally and ratably secured with the Principal Bonds; (iv) any Lien in existence as of June 23, 1992;

16. Include in Series L Bonds and U.S. Temporary Escrow Global Registered Bond only.

16A. Insert for U.S. Temporary Escrow Global Registered Bond.

17. Insert the date which is the earlier of the Exchange Date and March 31, 1993.

(v) any Lien securing Publicly Issued External Indebtedness issued upon surrender or cancellation of (A) Principal Bonds or (B) the principal amount of any Indebtedness outstanding as of June 23, 1992, in each case, to the extent such Lien is created to secure such Publicly Issued External Indebtedness on a basis comparable to the Principal Bonds; (vi) any Lien securing or providing for the payment of Publicly Issued External Indebtedness incurred in connection with any Project Financing (as defined below); provided that the properties to which any such Lien applies are (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties; (vii) any Lien on any Principal Bond created or granted to secure Publicly Issued External Indebtedness of Argentina incurred in connection with, or on or after the date of, the purchase or acquisition of such Principal Bond and (viii) any renewal or extension of any such Liens described in clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) above; provided, however, that no such renewal or extension of any Lien under clauses (i) or (ii) above shall extend to or cover any property other than the property being acquired and no such renewal or extension of any lien described in clauses (i) through (vii) above shall extend to or cover any property not theretofore subject to the Lien being extended or renewed but shall remain limited to the original property covered thereby. As used herein, the term "Project Financing" means any financing (but not a refinancing) of the acquisition, construction or development of any properties in connection with a project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced and have been provided with a feasibility study prepared by competent independent experts on the basis of which it was reasonable to conclude that such project would generate sufficient income in currencies other than Pesos to repay substantially all of the principal of and interest on all Publicly Issued External Indebtedness incurred in connection with such project; and "Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or other preferential arrangement having the practical effect of constituting a security interest.

(ii) Directly or indirectly seek any restructuring or rescheduling of the Bonds or any provisions thereof, nor will it directly or indirectly seek or request any loans, advances, extensions of credit or other financial accommodation from any holders of Bonds or any affiliates thereof based on such holdings.

[(iii) Make, nor grant permission to make, application to list the [Series U]^{18A} Bonds [for which this Bond is exchangeable in accordance with the terms of the Fiscal Agency Agreement]^{18A} on any stock exchange.]¹⁸

9. Events of Default.

If any of the following events (each an "Event of Default") shall occur and be continuing:

(a) interest on any Bond is not paid when due and such default continues for a period of at least 30 days; or

(b) Argentina fails to pay (i) the principal amount of the Bonds when due, or (ii) the principal amount of any Bond called for redemption when due for a period of 15 days; or

(c) Argentina defaults in the performance of any other obligation contained in the Bonds or the other Bond Agreements relating to the Bonds and such default shall continue for a period of 90 days after written notice thereof shall have been given to Argentina at the office of the Fiscal Agent by any Bondholder; or

18. Insert for Series U Bonds and U.S. Temporary Escrow Global Registered Bond only. The Series L Bonds will be listed on the Luxembourg Stock Exchange.

18A. Insert for U.S. Temporary Escrow Global Registered Bond.

(d) (i) the holders of 25% or more in aggregate outstanding principal amount of any issue or series of Publicly Issued External Indebtedness of Argentina or any Designated Argentine Governmental Agency (including any Other Bonds), as a result of any failure to pay the principal of, or interest on, such Publicly Issued External Indebtedness, accelerate such Publicly Issued External Indebtedness or declare such Publicly Issued External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and such acceleration, declaration or prepayment shall not have been annulled or rescinded within 30 days thereof or (ii) Argentina or any Designated Argentine Governmental Agency fails to pay the principal of any such Publicly Issued External Indebtedness when due (after expiration of any applicable grace period), or (iii) Argentina fails to pay any interest when due under any Other Bonds (after expiration of any applicable grace period); or

(e) Argentina declares a moratorium with respect to the payment of principal of, or interest on, Publicly Issued External Indebtedness of Argentina; or

(f) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Argentina in connection with any judgment in respect of External Indebtedness (other than External Indebtedness under the Debt Agreements) for the payment of money exceeding U.S.\$100 million (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 45 consecutive days without a stay of execution, unless the same is adequately bonded or is being contested by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(g) the validity of the Bonds or the other Bond Agreements relating thereto shall be contested by Argentina;

then, if such event is continuing, holders of 25% or more in aggregate outstanding principal amount of the Bonds may, by written demand to Argentina at the office of the Fiscal Agent, declare the Bonds immediately due and payable, whereupon the entire unpaid principal amount of the Bonds, all interest accrued and unpaid thereon and all other amounts payable in respect of the Bonds shall become and be forthwith due and payable, without presentation, demand, protest or further notice of any kind, all of which are hereby expressly waived by Argentina. Any such declaration shall be made by written demand to Argentina at the office of the Fiscal Agent in New York City. Upon receipt by the Fiscal Agent of such written demand, the Fiscal Agent shall give notice thereof to Argentina, as provided in the Fiscal Agency Agreement, and to the holders of the Bonds, by mail and publication. After any such declaration, if all amounts then due with respect to the Bonds are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Bonds are cured, such declaration may be annulled and rescinded by holders of more than 50% in aggregate outstanding principal amount of the Bonds (or such other percentage required at a meeting of Bondholders in accordance with Paragraph 11 hereof) by written notice thereof to Argentina at the office of the Fiscal Agent.

10. Transfer, Exchange for New Bonds and Replacement.

(a) This Bond is transferable (subject to applicable restrictions in the legend appearing on the face of this Bond and in the Fiscal Agency Agreement) by the registered holder hereof or by his attorney-in-fact duly authorized in writing, at the office of the Registrar or of any Transfer Agent, upon surrender of this Bond for cancellation duly endorsed by, or accompanied by a written instrument of transfer, in the form set forth at the end of these Terms and Conditions or in such other form satisfactory to the Registrar duly executed by, the registered holder or his attorney-in-fact duly authorized in writing, and thereupon one or more new Registered Bonds in Authorized Denominations for the same aggregate principal amount will be issued in the name of the transferee or transferees in exchange therefor.

(b) This Bond is exchangeable (subject to applicable restrictions contained in the Fiscal Agency Agreement) by the registered holder hereof or by his attorney-in-fact duly authorized in writing at the office of the Registrar or of any Transfer Agent, upon surrender of this Bond for exchange, into one or more new Registered Bonds in Authorized Denominations with the same aggregate principal amount, and thereupon such new Bonds will be issued to such registered holder.

(c) Notwithstanding any other provision of this Bond, the Registrar shall not be required to register the transfer of or exchange this Bond (i) during a period beginning at the opening of business 15 days before the date of transmission of a notice of partial redemption of the Bonds and ending at the close of business on the day of such transmission or (ii) at any time after this Bond has been called for redemption; provided that, with respect to any Bond called for partial redemption, the Registrar shall register the transfer of or exchange such principal amount not subject to redemption.

(d) Argentina may require payment of a sum sufficient to cover any stamp tax or other governmental charge (other than a stamp tax or governmental charge imposed by Argentina itself) in connection with any such transfer or exchange, but no other charge shall be made in connection with any such transfer or exchange (except for the expenses of delivery other than by regular mail).

(e) In case of the mutilation, destruction, loss or theft of this Bond, the Registrar, upon surrender to and cancellation by it of the mutilated Bond, or upon receipt of proof satisfactory to it and Argentina of the destruction, loss or theft of such Bond, and receipt of security or indemnity satisfactory to the Registrar, to the Fiscal Agent, to the Authenticating Agent and to Argentina, shall register, and the Registrar or a Transfer Agent shall deliver, a new Bond of such Series in replacement of such Bond to the person requesting such replacement upon payment by such person of all reasonable expenses associated with obtaining such security or indemnity and issuing and delivering a new Bond (including, without limitation, reasonable legal fees and reasonable expenses relating to the preparation, authentication and delivery of such new Bond).

(f) Prior to the presentment for registration of transfer of this Bond, Argentina and each of the Agents may deem and treat the person in whose name this Bond is registered as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notice of ownership or other writing hereon) for the purpose of receiving payment hereof or on account hereof and for all other purposes, and neither Argentina nor any Agent shall be affected by any notice to the contrary; provided that, with respect to beneficial interests in the Non-U.S. Permanent Registered Global Bond, each person who is shown in the records of the Euroclear Operator or of Cedel as the holder of a particular principal amount of such Global Bond shall be treated as the holder of such principal amount of Bonds for all purposes other than with respect to receiving notices by mail or payment hereof or on account hereof.

(g) All Bonds issued as a result of any transfer, exchange or replacement of Bonds shall be delivered to the holder at the office of the Registrar or a Transfer Agent or (at the risk and, if sent other than by regular mail, expense of such Bondholder) sent by mail to such address as is specified by the holder in the request for transfer, exchange or replacement.

(h) Argentina has initially appointed each of the principal offices of Citibank, N.A. in New York City and London and of Citibank (Luxembourg) S.A. in Luxembourg as a Transfer Agent where the Bonds may be surrendered for transfer, exchange or substitution. The Fiscal Agent shall, directly or through an affiliate, maintain in the Borough of Manhattan, City of New York, a register in which Bonds executed, authenticated and delivered as provided herein and in the Fiscal Agency Agreement, and the transfer, exchange, substitution and cancellation of such Bonds, shall be registered.

11. Meetings of Bondholders; Modifications and Amendments.

(a) Upon not less than 15 days' prior notice to the Fiscal Agent, Argentina may at any time call a meeting of the Bondholders of any Series pursuant to the notice provisions of the Fiscal Agency Agreement, such meeting to be held at such time and place as Argentina shall determine. Upon a request in writing to the Fiscal Agent made by Bondholders holding not less than 10% of the aggregate outstanding principal amount of the Bonds of any Series, the Fiscal Agent shall convene a meeting of Bondholders of such Series. Further provisions concerning meetings of Bondholders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement (subject to the provisions of Section 16 of the Fiscal Agency Agreement), or the Bonds requiring Bondholder consent may be made, and future compliance therewith or past default by Argentina may be waived, with the consent of Argentina and the Bondholders holding at least a majority in aggregate principal amount of the Bonds at the time outstanding, or of

such lesser percentage (determined as provided in subparagraph (c) below) as may act at a meeting of Bondholders held in accordance with the provisions of the Fiscal Agency Agreement; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Bond may, without the consent of each Bondholder affected thereby, (i) change the stated maturity or any date fixed for payment of the principal of or interest due on such Bond; (ii) reduce the principal of, or interest on, any such Bond; (iii) change the currency of payment of the principal of, or interest on, any such Bond; or (iv) reduce the above-stated percentage of aggregate principal amount of Bonds outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all holders of the Bonds whether or not they have given consent or were present at such meeting, and on all future holders of Bonds whether or not notation of such modifications, amendments or waivers is made upon the Bonds. Subject to the foregoing provisions of this Paragraph 11(b), any instrument given by or on behalf of any holder of a Bond in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Bond.

(c) At a meeting of the Bondholders called for any of the above purposes, persons entitled to vote a majority in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum, it being understood that any Bondholder entitled to more than one vote shall not be required to cast all such votes in the same manner. In the absence of a quorum within 30 minutes of the time approved for such meeting, such meeting may be adjourned for a period of not less than ten days; at the reconvening of any meeting adjourned for lack of a quorum, the persons entitled to vote 25 % in aggregate principal amount of the Bonds at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than to make any declaration under Paragraph 9 hereof) shall be effectively passed, subject to the provisos of subparagraph (b) above, if passed by the persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Bonds then outstanding or (ii) 75 % in aggregate principal amount of the Bonds represented and voting at the meeting.

12. Notices.

All notices to Bondholders will be given by publication thereof in The Wall Street Journal (Eastern Edition), [and]¹⁹ the Financial Times (London) (or if either or both of such newspapers is not being published, in at least one leading daily newspaper printed in the English language and with general circulation in New York City or London, as the case may be) [and, so long as the [Series L]^{19A} Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued listing thereon, in the Luxemburger Wort (or if such newspaper is not being published, in a daily newspaper of general circulation in Luxembourg)²⁰ or, if publication in [either]²⁰ London [or Luxembourg]²⁰ is not practical, elsewhere in western Europe). In addition, notices to Bondholders required to be mailed shall be mailed by first class, or, if applicable, prepaid, air mail to each Bondholder to the address set forth on the register kept by the Registrar for the Bonds. Any such notice shall be deemed to have been given on the earlier of the date of such publication (or, if published more than once, on the date it is first published) and the day which is three days after such notice by mail shall have been deposited in the mails.

13. Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to any Bondholder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

19. Delete for Series L Bonds.

19A. Delete for Series L Bonds.

20. Delete for Series U Bonds.

14. Delay or Omission Not Waiver.

No delay or omission of the Bondholders to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Paragraph 14 or by law to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Bondholders.

15. Maintenance of Paying Agents and Transfer Agents.

Argentina may vary or terminate the appointment of any Paying Agent or Transfer Agent at any time and from time to time upon giving not less than 60 days' notice to the Fiscal Agent; provided that Argentina shall maintain at all times at least one Paying Agent in New York City and London. [In addition, Argentina shall maintain at all times a Paying Agent and a Transfer Agent in Luxembourg as long as the [Series L]^{20A} Bonds are listed on the Luxembourg Stock Exchange and it is so required for continued listing thereon.]²¹ Notice of any change in a Paying Agent shall be given to Bondholders in accordance with Paragraph 12 hereof.

16. Execution.

This Bond may be executed by manual or facsimile signature of an Authorized Official and such signature shall be binding notwithstanding that the individual signing in such capacity no longer serves in such capacity at the time of the authentication by an Authenticating Agent. This Bond shall not constitute an obligation of Argentina until the certificate of authentication hereon has been countersigned for identification by an Authenticating Agent.

17. Jurisdiction and Waiver of Immunity.

(a) Argentina hereby irrevocably submits to the non-exclusive jurisdiction of any New York state or federal court sitting in New York City, the High Court of Justice in London, any federal court sitting in the City of Buenos Aires and any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Bond, and Argentina hereby irrevocably agrees that all claims in respect of such suit, action or proceeding may be heard and determined in such New York state or federal court, in the High Court of Justice in London or any federal court sitting in the City of Buenos Aires. Argentina irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding and any objection to any such suit, action or proceeding whether on the grounds of venue, residence or domicile. A final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in any other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Argentina hereby irrevocably appoints (i) the New York office of Banco de la Nación Argentina (the "New York Process Agent"), with an office on the date hereof at 299 Park Avenue, 2nd floor, New York, New York 10171, United States and, alternatively, hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 1633 Broadway, 23rd floor, New York, New York 10019, United States (the "Alternate New York Process Agent"), in each case, as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such suit, action or proceeding brought in such New York state or federal court sitting in New York City and (ii) the London office of Banco de la Nación Argentina (the "London Process Agent", and, together with the New York Process Agent, the "Process Agents"), with an office on the date hereof at Longbow House, 14-20 Chiswell Street, London EC1Y 45D, England and, alternatively, hereby irrevocably appoints The Law Debenture Trust Corporation p.l.c., with an office on the date hereof at Prince's House, 95 Gresham St., London EC2V 7LY, England (the "Alternate London Process Agent" and, together with the Alternate New York Process Agent, the "Alternate Process Agents"), in each case, as its agent to receive on behalf of itself and its property service of copies of a writ, summons, order, judgment or other document which may be served in any such action or proceeding brought in the High Court of

20A. Delete for Series L Bonds.

21. Delete for Series U Bonds.

Justice in London. Service of any such process may be made upon an Alternate Process Agent in lieu of the applicable Process Agent in any action or proceeding in any New York state or federal court sitting in New York City or the High Court of Justice in London if (i) at any time and for any reason it appears to the party attempting to serve the process that service of such process upon any Process Agent as provided above may be ineffective or may not be feasible and (ii) upon or before the serving of any process on any Alternate Process Agent, the Alternate Process Agent and Argentina are notified that service of such process is to be made on such Alternate Process Agent in accordance with the provisions of this sentence. Such service may be made by mailing or delivering a copy of such process to Argentina in care of the appropriate Process Agent or Alternate Process Agent at the address specified above for such Process Agent or Alternate Process Agents and, in the case of process served on an Alternate Process Agent, by depositing a copy of such process in the United States mails, addressed to Argentina at the address specified in Section 14 of the Fiscal Agency Agreement (such service to be effective upon the delivery of such process to the Alternate Process Agent and the depositing of such process in the United States mails as aforesaid), and Argentina hereby irrevocably authorizes and directs such Process Agent or Alternate Process Agents to accept such service on its behalf. Failure of any Process Agent or Alternate Process Agent to give notice to Argentina or failure of Argentina to receive notice of such service of process shall not affect in any way the validity of such service on the Process Agent, the Alternate Process Agent or Argentina. As an alternative method of service, Argentina also irrevocably consents to the service of any and all process in any such suit, action or proceeding in such New York state or federal court sitting in New York City or the High Court of Justice in London by the mailing of copies of such process to Argentina at its address specified in Section 14 of the Fiscal Agency Agreement. Argentina covenants and agrees that it shall take any and all reasonable action, including the execution and filing of any and all documents, that may be necessary to continue the designations of Process Agents and Alternate Process Agents above in full force and effect, and to cause each Process Agent and Alternate Process Agent to continue to act as such.

(c) Nothing in this Paragraph 17 shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

(d) To the extent that Argentina has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Argentina hereby irrevocably waives such immunity in respect of its obligations under the Bonds, the Other Floating Rate Bonds and the other Bond Agreements, and, without limiting the generality of the foregoing, Argentina (A) agrees that the waivers set forth in this Paragraph 17 shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such act; and (B) consents generally for the purposes of the State Immunity Act 1978 of the United Kingdom to the giving of any relief or the issue of any process. Notwithstanding the foregoing, Argentina shall not waive any such immunity (1) with respect to the assets which constitute freely available reserves, pursuant to Article 6 of the Convertibility Law, the amount, composition and investment of which will be reflected on the balance sheet and accounting statement of BCRA consistently prepared pursuant to Article 5 of the Convertibility Law and (2) with respect to property of the public domain located in the territory of Argentina or property owned by Argentina and located in its territory which is dedicated to the purpose of an essential public service.

18. BCRA Undertaking.

The holder of this Bond is entitled to the benefit of the Banco Central Undertaking dated as of April 7, 1993, given to the Fiscal Agent, the Closing Agent, the Agents under the Fiscal Agency Agreement, the Purchasers under the Floating Rate Bond Exchange Agreement and the Bondholders to, inter alia, exchange for U.S. dollars or Deutsche Mark (each a "Principal Bond Currency") such funds as are transferred to it by Argentina in connection with the Bonds and the Bond Agreements (as defined in the Fiscal Agency Agreement), subject to certain conditions in respect of Principal Bond Currencies not being freely available in the market, Principal Bond Currencies being available to Banco Central and the prior transfer by Argentina to Banco Central of the equivalent in pesos of the Principal Bond Currencies (the "BCRA Undertaking"). Such undertaking shall not constitute a guaranty of Argentina's obligations hereunder.

19. Descriptive Headings.

The descriptive headings appearing in these Terms and Conditions of the Bonds are for convenience of reference only and shall not alter, limit or define the provisions hereof.

THE REPUBLIC OF ARGENTINA

Territory and Population

The Republic of Argentina consists of 23 provinces and the federal capital district of Buenos Aires. Located at the extreme south of the South American continent, Argentina is the second largest country in Latin America, covering 2.8 million square kilometres, or 3.8 million square kilometres if territorial claims in the Antarctic and the South Atlantic Islands are included.

The most densely inhabited areas and the traditional agricultural wealth are on the wide temperate belt that stretches from east to west in central Argentina. Of an estimated population of 33 million in 1991, about 11 million live in the greater Buenos Aires area. Five other urban centers—Cordoba, Rosario, Mendoza, Tucuman and La Plata—have a population of over 500,000 each. The population is highly literate and mostly of European extraction, with citizens of Spanish, Italian and British descent forming the largest demographic groups. During the 1980-89 period, Argentina's population grew at a 1.4 per cent. annual average rate.

Government and Political Parties

The Argentine constitution (established in 1853) provides for a tripartite system of government: an executive branch headed by a President; a legislative branch made up of a bicameral congress; and a judicial branch, of which the Supreme Court is the highest body of authority. The President is elected by an electoral college and serves for a single six-year term. The Congress is made up of the Senate, consisting of two Senators from each province plus two from the federal district of Buenos Aires, and the Chamber of Deputies whose 256 seats are allocated according to each province's population. Senators are elected to nine-year terms, and serve in staggered terms so that one-third of the Senate's seats are subject to elections every three years. Deputies are elected to four-year terms so that half of the Chamber is subject to elections every two years.

The two largest political parties in Argentina are the Radical Civic Union (UCR), founded in 1890, and the Justicialista or Peronist Party (PJ) that evolved out of Juan Peron's efforts to expand the role of labor in the political process in the 1940s. Support for both parties is broadly based, though the UCR has traditionally had more urban middle-class and the PJ more labor support. A small third party, the UCDE, is in the center-right of the political spectrum and has had support from the business community. Some 19 smaller parties occupy more extreme political positions on both sides of the political spectrum and are eligible only in certain regions (or provinces) of Argentina. The table below shows the party composition of the Argentine Congress on 14th September 1992.

Party Composition of Argentine Congress (14th September, 1992)

<i>Party</i>	<i>Senate Seats</i>	<i>Chamber of Deputies Seats</i>
PJ	26	124
UCR	15	83
UCEDE	0	11
Others*	<u>7</u>	<u>38</u>
Total	<u>48</u>	<u>256</u>

* 3 party blocks in the Senate; 21 separate parties in the Chamber of Deputies.

** Certain monetary amounts included in this document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may differ slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

Since the 1930s, Argentina's political parties have had difficulty in resolving the inter-group conflicts arising out of the Great Depression, the deepening class divisions that occurred under Peron and the economic stagnation of the past several decades. As a result, the military has intervened in the political process on several occasions and has ruled the country for 22 of the past 60 years. Poor economic management by the military in the early 1980s and the loss of a brief war with the United Kingdom over the Malvinas (Falkland Islands) led in 1983 to the end of the most recent military government which had ruled the country since 1976.

Four military uprisings have occurred since 1983, the most recent in December 1990. The uprisings, which were led by a small group of officers dissatisfied with civil prosecutions of crimes committed under the military government and with compensation, failed due to a lack of support from the public and the military as a whole.

Since the 1976-1983 period of military rule, Argentina has had two successive elected civilian governments. Raul Alfonsin, elected in 1983, was the first civilian president in six decades to stay in office until the scheduled election of a successor. His UCR government re-established civilian rule, including a functioning Congress. The current President, Carlos Menem, won the presidential election in May 1989 and took office in July 1989, several months ahead of the scheduled inauguration, in the midst of an economic crisis. His term of office expires in December 1995.

President Menem, the leader of the PJ, was elected with the backing of organized labor and business interests that have traditionally supported a closed economy and a large public sector. Shortly after taking office, however, President Menem adopted market-oriented and reformist policies, including a large privatization program, a reduction in the size of the public sector and an opening of the economy to international competition.

Foreign Affairs and International Organizations

Argentina has diplomatic relations with 137 countries and is a member of over 230 international organizations. It is a charter member of the United Nations and a founding member of the Organization of American States. It is also a member of the International Bank for Reconstruction and Development (the "World Bank"), the IMF, the International Finance Corporation and the Inter-American Development Bank. Argentina is also a member of the Interim Committee of the IMF. In 1967, Argentina joined the General Agreement on Tariffs and Trade.

In April 1990, Argentina signed a five-year trade and cooperation agreement with the European Community, which included not only improved trade relations but also covered industrial development and technical and scientific cooperation. Since then, Argentina has signed bilateral agreements for the promotion of direct foreign investment with the United States, Canada, Chile and several European countries. In addition, tax treaties have been signed with eight European and South American countries.

On the regional level, relations with the rest of Latin America have improved, most notably with the signing of the Treaty of Asuncion in March 1991, creating the MERCOSUR Common Market composed of Brazil, Argentina, Paraguay and Uruguay. The original Treaty and the agreements subsequently reached between the four member countries provide for the gradual integration of the economies of each country and an accompanying harmonization of economic and fiscal policies. In particular, tariff barriers are to be reduced to zero per cent. by 1st January, 1995. Non-tariff restrictions are in the process of being eliminated. In June 1991, the MERCOSUR countries signed an agreement with the United States which established procedures for consultation on trade and investment issues. Trade among the MERCOSUR countries has increased considerably since the inception of the organization. Permanent trends are however difficult to predict as a result of the recent economic destabilization of Brazil, which has resulted in a trade imbalance between Argentina and Brazil, the two largest member countries.

THE ARGENTINE ECONOMY

Introduction

Despite its strengths, which include a well balanced natural resource base and a high literacy rate, the Argentine economy (1992 GDP estimated at \$153 billion) has, in recent decades, had a record of low and erratic growth, declining investment rates and rapid inflation. Following a series of unsuccessful economic plans in the 1980's, the newly appointed Minister of Economy, Domingo Cavallo, introduced a new plan in March 1991 to set the Argentine economy on a radically different course. The Argentine government announced its intention to raise revenues, cut expenditures and reduce the public deficit. The extensive privatization program commenced in 1989 was to be accelerated, the domestic economy deregulated and opened up to foreign trade and the framework for foreign investment reformed. Further, the Argentine Congress passed Law No. 23,928 enacted on March 27, 1991 (the "Convertibility Law") which established a fixed exchange rate for the peso (then the austral) against the U.S. dollar and further provided that Argentina's monetary base must not exceed its international reserves. This effectively means that money creation is determined by increases in the level of international reserves, and not by whether the public sector deficit needs to be financed.

Following the implementation of the Convertibility Law, real GDP growth increased 7.6 per cent. in 1991, from 0.4 per cent. in 1990 and is estimated to have increased over 7.5 per cent. in 1992. Industrial production in 1992 was up by an estimated 12 per cent from the levels of 1991. The annual inflation rate based on the consumer prices index ("CPI") for the twelve months ending 31 December, 1992 was 17.5 per cent., compared to annual rates of 84 per cent. in 1991 and 1,344 per cent. in 1990.

Significant progress was also made in 1992 in rescheduling Argentina's external debt. In March, Argentina's standby program with the IMF was replaced by a \$3.2 billion three-year Extended Fund Facility ("EFF"). In July, the Paris Club of bilateral official creditors rescheduled \$2.7 billion of debt due during the period from July 1992 to March 1995. In December, Argentina and its commercial bank creditors signed a debt and debt service reduction package under the auspices of the Brady Plan.

The successful conclusion of a number of reforms which are currently being implemented is vital in order to sustain and continue this progress. Amongst other things, the social security and tax systems, domestic deregulation, labor reform, the size of the external debt, and a decline in competitiveness, which has increased imports and reduced exports, are all issues which need to be resolved in order to promote growth and achieve long-term stability.

Recognizing the fundamental improvement in Argentina's prospects, in July 1992, Moody's Investors Service upgraded its rating of Argentina's long-term Eurobond issues from B3 to B1.

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, which led to isolation and the consequent stagnation of the Argentine economy. Policies were adopted which were designed to generate economic growth through import substitution and state capitalism. Despite the fact that conditions improved in the 1950's and a new era of worldwide prosperity had begun, the Argentine economy remained closed and experienced very low growth in comparison with other developing countries. The economic policies, which were continued by successive governments through the mid-1980s, sheltered domestic industry from competition and increased the economy's dependence on the government. Since the 1940s, many basic industries and services, including petroleum, coal, steel, electricity, telecommunications, railroads and airlines,

have been in the hands of the state. Government involvement in the financial sector through development and mortgage banks has also been sizeable.

Argentina's high inflation rates have resulted mainly from a lack of control over fiscal policy and the money supply. Large subsidies to state-owned enterprises and an inefficient tax collection system have led to large, persistent public-sector deficits which have been financed in large part through increases in the money supply. Because a lag typically occurs between the accrual and receipt of taxes, inflation has tended to reduce the value of tax collections and increase the size of the deficit, further fueling the inflationary cycle. On several occasions during the period from 1975 to 1990, inflation turned into hyperinflation, with prices rising at an annual rate of 1,000 per cent. or more.

During the 1980s and in 1990, the Argentine government instituted several economic plans to stabilize the economy and foster real growth, all of which, after achieving initial success, failed mainly because the government was unable to achieve sustainable reductions in the public deficit. The uncertainties generated by high inflation, frequent policy changes and financial market instability all took their toll on real growth. The Argentine economy experienced a one per cent. average annual decline in GDP during 1981-90, and investment which had averaged 24.4 per cent. of GDP during 1976-80 declined to only 7.5 per cent. of GDP by 1990. This recessive trend ended in 1991, a year which saw a GDP growth of 7.6 per cent. and an investment coefficient estimated at 10.0 per cent. of GDP. Preliminary figures indicate a real GDP growth of over 7.5 per cent. for 1992 under the EFF arrangements with the IMF and an estimated investment coefficient of 12.0 per cent. of GDP. The annual CPI inflation rate for the twelve months ending 31 December, 1992 was 17.5 per cent. The following table presents data on Argentina's GDP growth, investment and inflation from 1976 to 1992.

GDP Growth, Investment and Inflation

<i>Period</i>	<i>Real</i>	<i>Investment</i>	<i>CPI</i>
	<i>GDP</i>		<i>Annual</i>
	<i>Growth</i>	<i>Coefficient*</i>	<i>Inflation</i>
	<i>%</i>	<i>%</i>	<i>Rate**</i>
	<i>%</i>	<i>%</i>	<i>%</i>
1976-80	2.3	24.4	169
1981-85	-2.2	14.7	330
<i>Year</i>			
1986	5.7	11.9	82
1987	2.2	13.3	175
1988	-2.6	11.5	387
1989	-4.5	8.8	4,924
1990	0.4	7.5	1,344
1991	7.6	10.0	84
1992	over 7.5***	12.0***	17.5

* Fixed investment as a percentage of GDP.

** Five year averages of December/December rates for 1976-80 and 1981-85; December/December rates for 1986 through 1991.

*** Estimated.

Sources: National Institute of Statistics and the Census ("INDEC"), Ministry of Economy and Banco Central.

Stabilization Efforts Prior to the Menem Government

The military governments during 1966-1973 and the second Peronist government (1973-1976) pursued expansionary policies, including large increases in public investment, nominal wages, and domestic credit, that stimulated growth in consumption but were accompanied by fiscal deficits and rapid monetary

expansion. Inflation, which had averaged 20 per cent. per annum during the 1960s, began to accelerate. By 1975, the primary deficit (government revenues less non-financial expenditures) had increased to 15.5 per cent. of GDP from 4.4 per cent. during the 1971 to 1974 period, and annual inflation had risen to 300 per cent. from the 47 per cent. average rate experienced during the previous four years.

The military government which assumed control in March 1976 imposed tight monetary controls which succeeded in bringing inflation down, although never below 87 per cent. on an average annual basis during the 1976 through 1982 period. It was unable to control public spending which produced large budget deficits and fueled a resurgence of inflationary pressures. These deficits were partially financed through external debt, which increased from \$19 billion in 1979 to \$35.7 billion in 1981. With the curtailment of international lending to Argentina in 1982 and assumption by the public sector of private sector foreign debt, a larger deficit was financed locally, further stimulating inflation. Real economic growth turned negative as inflation reached over 200 per cent. in 1982. The military government's credibility in management of the economy came to an end, and the loss of the Malvinas war led to a return to civilian government.

In October 1983, the UCR, led by Raul Alfonsin, won the presidential election and took office in December. The Alfonsin government focused on political problems during the first 18 months of its tenure, attempting to reform the military and contain the strength of the labor unions. Although government expenditures were cut by 14 per cent. between 1983 and 1985 and tax revenues increased by 18.6 per cent., a budgetary process based on bilateral negotiations with special interest groups and an inefficient tax system limited the government's ability to reduce public expenditures and increase revenues. The primary deficit declined from 15.5 per cent. of GDP in 1983 to 5.4 per cent. in 1985, but continued to exert inflationary pressure.

Inflation accelerated into hyperinflation in June 1985. The government undertook a major stabilization effort, the Austral Plan, based on a strict wage and price freeze, a fixed exchange rate, positive real interest rates and fiscal adjustment. A new currency, the austral, replaced the old peso. The plan was initially successful in eliminating hyperinflation and reducing inflation to 82 per cent. in 1986, its lowest level in 12 years. In 1986, the primary deficit declined to 4.1 per cent. of GDP. GDP grew by 5.7 per cent. and fixed investment increased by 18 per cent.

The stability generated by the Austral Plan, however, was fragile because the government was unable to keep the budget deficit under control. Public revenues declined as export taxes were virtually eliminated to offset low international prices for agricultural products and to stimulate exports. Delays in increases of prices on goods and services supplied by public sector entities increased the losses in those entities. Credit expansion to the government continued through the Banco Central rediscounts to public sector enterprises and banks at the national and provincial level, generating increased short-term debt and a Banco Central deficit.

As inflation accelerated in 1987, the government entered into a series of stabilization attempts which, like the Austral Plan, depended upon wage and price controls to bring down inflationary expectations in the short term while longer-term measures addressed the fiscal imbalance. Two short-term plans were adopted in April and October 1987, followed by additional reform measures in January 1988. Delays in implementing tax reforms, however, resulted in a serious deterioration of revenues. Meanwhile, the financial conditions of the provinces worsened because the majority of provincial revenues came from participations in federal tax receipts.

The same short-comings were evident in the last major stabilization effort of the Alfonsin government, the Primavera Plan adopted in August 1988. The wage and price freeze cut inflation from 27.6 per cent. in August to 4.8 per cent. in November. A windfall gains tax on grain sales temporarily improved the fiscal situation, and the discount policy of Banco Central was tightened. Higher real interest rates that followed the elimination of controls attracted a sizeable inflow of short-term external capital. Public finances, however, failed to improve as adjustments to public sector prices lagged and tax evasion increased. Lack of

confidence was reflected in a decline in consumption and investment in the second half. Real GDP fell by 2.6 per cent. for the year.

The Primavera Plan was cut short by a crisis in the foreign exchange and financial markets early in 1989. Strong capital inflows and government commitments to the private sector led to overvaluation of the austral and expectations of a devaluation in the first quarter. A series of exchange-market measures hastened the flight from the austral, and the gap between the free and official exchange rates reached 150 per cent. at the end of March. These pressures culminated in a major devaluation in mid-April, which resulted in a 40 per cent. decline in the real value of the austral relative to its end-1988 level.

Stabilization and Economic Plans under the Menem Government

The economy inherited by the Menem government in mid-1989 had succumbed again to hyperinflation (with a monthly CPI rise of 197 per cent. in July 1989) and had entered into a deep recession. Relations with external creditors were at a low point; interest payments on commercial bank debts had gone into arrears in April 1988; IMF and World Bank programs had lapsed; and payments to the World Bank and the Inter-American Development Bank were frequently late. The objectives of the new government were to stabilize prices, introduce credible reforms, reduce the public debt and improve relations with external creditors.

The government's initial stabilization efforts, under the direction of Economy Minister Nestor Rapanelli (who succeeded Miguel Roig when the latter died unexpectedly after one week in office), included a devaluation of the austral, a fixed exchange rate, wage and price controls and a sharp rise in public utility rates. The stabilization effort quelled hyperinflation, bringing the monthly inflation rate down to 7 per cent. on average during September-November 1989.

The government's efforts to solve its fiscal problems, however, proved inadequate. Foreign exchange markets declined sharply in anticipation of a new bout of hyperinflation, inducing the government to adopt a new set of stabilization measures in December 1989 under a new Economy Minister, Antonio Erman Gonzalez. The new stabilization effort 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 stabilization plan called the Bonex Plan featured tax reforms, a tighter rein on public enterprises and restrictions on lending activities of the public-sector banks (which had been financing provincial government deficits through loans which were in turn financed with discounts from Banco Central), personnel cuts and a reliance on cash income generated by privatizations to reduce the public sector deficit. The plan also eliminated all restrictions on foreign exchange transactions. In addition, the plan froze fixed-rate, short-term bank deposits pursuant to which holders of 7- to 30-day deposits were permitted to withdraw no more than the equivalent of about \$1000 from their accounts, and the balance was made payable only in 10-year dollar-denominated government bonds (Bonex 89).

This stabilization effort succeeded in ending the December 1989-March 1990 period of hyperinflation, but not in ending the Argentine economy's susceptibility to inflation. In late 1990, a deterioration in the finances of the social security system and provincial governments led to an expansion of central bank credit. Banco Central lent funds to the social security system to allow it to meet year-end payments and funded provincial banks suffering deposit runs. The provincial banks continued to lend to finance provincial government deficits. The credit expansion led to downward market pressure on the austral, culminating in a depreciation in the austral from 5,870 australs per dollar at 31st December, 1990 to 9,550 australs per dollar by 31st January, 1991 and a resurgence of price inflation. During 1990, consumer prices rose 1,344 per cent. which was significantly less than the 4,924 per cent. increase in 1989, but was still an unacceptably high inflation rate. The government responded by installing a new economic team headed by Minister of Economy 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

The Argentine government's current stabilization program is built around the plan announced by Economy Minister Cavallo on 20th March, 1991 and approved by Congress through passage of the Convertibility Law and its regulatory Decree No. 529/91 (the "Plan"). The Plan has sought to reduce inflation and restore economic growth by addressing underlying structural problems that had distorted fiscal and monetary policy. Although some of the Plan's goals have already been achieved and its initial success has attracted international attention, a number of issues remain to be resolved before the economy of Argentina achieves long-term stability.

The Plan is centered on two fundamental principles:

(1) Full international reserve backing for the monetary base. The monetary base (consisting of currency in circulation and peso deposits of financial entities with Banco Central) is not to exceed Banco Central's gross international assets at a fixed rate of one peso per dollar. Gross international assets include Banco Central's holdings of gold, foreign exchange (including short-term investments), dollar-denominated Argentine Government Bonds (Bonex) and its Asociacion Latino Americana De Integracion (ALADI) claims, all valued at market. Under this arrangement, in which the peso is fully convertible into the U.S. dollar, no increase in the domestic base money can occur without an equivalent increase in gross international assets at the one peso per dollar rate.

(2) The elimination of the fiscal deficit and, more recently, taking into account the rescheduling of the external debt, the achievement of a surplus in the primary balance which will permit the government to purchase sufficient foreign currency to service its external debt and thereby eliminate the need for further borrowings.

The implementation of the Plan has been supported by the IMF which, in granting the EFF and previously the standby arrangements, has set a financial program for the Argentine public sector for the achievement of a surplus in the primary balance as set out in the table below. The targeted primary balances for 1992 have been attained or surpassed. In the event of any non-compliance with the program, Argentina is required to consult in the first instance with the IMF in order to obtain a waiver and, if required, revise the program and regularize the situation.

The table below presents a summary of the consolidated finances of the public sector in 1991 and 1992 and the financial program for the public sector for 1993, as specified in the EFF arrangements with the IMF. The programmed figures for 1993 do not take into account any actual figures.

Finances of the Consolidated Public Sector*

	1991	1992** (\$billions)	1993 Program
Revenues	28.70	38.70	46.25
National administration taxes	18.10	24.19	28.28
Social security taxes	7.67	11.99	14.48
Nontax revenue	2.26	1.99	2.48
Operating surplus of non-financial Public enterprises	N.A.	N.A.	0.83
Revenue	N.A.	N.A.	4.89
Expenditure			-4.07
Expenditures	27.77	35.59	41.85
National administration wages	4.95	5.60	6.43
Other goods and services	1.80	2.48	2.47
Pension payments	9.23	12.66	15.60
Transfers to provinces	9.20	12.52	14.00
Other transfers	0.69	0.49	0.05
Capital expenditures	1.90	1.84	2.14
Primary balance before asset sales	0.93	3.11	4.40
Sale of public sector assets	2.19	1.87	0.35
Primary balance	3.12	4.98	4.75
Interest payment and Quasi-fiscal			
Balance of Banco Central	-5.45	-3.60	-3.16
Financial balance	-2.33	1.14	1.91
As percentage of GDP:			
Primary balance	2.40	3.25	2.80
Financial balance	-1.8	1.0	1.1

* The consolidated public sector in Argentina consists of the national administration, the social security administration, state enterprises and Banco Central.

** Includes preliminary figures for the IV Quarter.

N.A. = not available

To achieve the targeted fiscal performance, the Plan provides for:

(1) A prohibition of indexation, ending all price-adjusted clauses in commercial, employment and rental contracts. The intended effect of this prohibition was to constrain further inflation as the stabilization program took effect.

(2) Short-term increases in tax rates, including an increase in the value-added tax rate from 16 per cent. to 18 per cent.

(3) Improvements in tax administration, including enhanced enforcement powers for the General Directorate of Taxes (DGI), Argentina's internal revenue service, increased penalties for tax evasion, and a program to monitor closely Argentina's largest taxpayers.

(4) A reduction in public sector employment, a revision of public salary structures and provision for supervision of the budgets and management of public enterprises by the Ministry of the Economy.

(5) A tighter rein on the provinces and provincial banks. In March 1991, Banco Central ceased lending to official provincial banks that were using the funds to finance provincial government deficits and sought to recover credits it had advanced to provincial banks. The reduction in Banco Central credit was intended to force provincial governments to initiate fiscal reforms.

(6) A program to strengthen the social security system's finances by improving the administration of employers' and employees' contributions to the system.

(7) Elimination of domestic arrears to pensioners and private-sector suppliers to the Argentine state incurred prior to 1st April, 1991. The State Reform Law (Law 23,696 of 23rd August, 1989) suspended the enforcement of all legal actions against the Argentine state for the payment of money for two years. When this suspension expired in August 1991, the large internal public debt owed to provincial governments, suppliers, retirees, pensioners and other litigants prompted Congress to pass the Consolidation Bond Law to consolidate all such obligations into a series of bonds-the Bono de Consolidacion de Deudas Previsionales (10 years, including 6 years grace) and the Bono de Consolidacion (16 years, including 6 years grace), collectively called "BOCON". Recipients are given the choice of a peso or a dollar denomination, and may apply the bonds to the payment of debts owed to the federal public sector, except for taxes, customs, and pension funds liabilities. The bonds may also be applied to the acquisition of Argentine state assets, although a discount, based on their market value, may be applied.

Overall, the Plan has made significant progress in achieving the required fundamental reform of the structure of the economy, by simplifying fiscal and market regulations and reallocating state activities to the private sector, thereby reducing state expenditures, increasing the amount of federal revenues and at the same time encouraging domestic initiative and foreign investment. On the income side the main impact has been reduction in the level of tax evasion and expansion of the application of value-added tax, each of which has led to increased reserves. With respect to reduction of expenditure, the size and the scope of state institutions and businesses has been the main focus for reduction of costs. This has principally involved the privatization of public sector enterprises, which has itself led to increased tax revenues and a reduction in the number of employees of the national administration. A new federalism has also led to agreement with the provinces on revenue apportionment and decentralization of certain areas such as secondary education and health services.

Under the Plan, the monetary base is determined by Argentina's external payments balance. Under the Convertibility Law, Banco Central is obliged to maintain liquid international reserves to support the monetary base at the fixed exchange rate established by Congress. Banco Central is obliged to sell U.S. dollars in exchange for pesos at the rate of one U.S. dollar per peso; it buys U.S. dollars at the rate fixed by the Minister of Economy, currently one dollar per 0.998 pesos. In addition, Banco Central is empowered to purchase foreign currency at market prices with its own resources on behalf of the government. To fully adapt the role and function of Banco Central to the Plan, the government has proposed certain amendments to the Carta Organica of Banco Central which have recently been approved by Congress. The main changes are that (a) Banco Central's principal object will be to maintain the value of the peso, (b) it may not finance the government directly (except indirectly through the purchase on the open market of foreign currency denominated government bonds, provided that such bonds cannot exceed 30 per cent. of its international reserves at any time and may not be increased by more than 10 per cent. in any one year), (c) it may only fund Argentina's banking sector for liquidity purposes and then only on a temporary basis and (d) its Board of Directors are to operate independently of the government. The table below sets forth the composition of Argentina's monetary base (expressed in terms of Banco Central's monetary liabilities) and Banco Central's international reserves which back the monetary base since the date of the Convertibility Law.

Monetary Base and Banco Central International Reserves*

	1991				1992			
	March 31	June 30	Sep 30	Dec 31	March 31	June 30	Sept 30	Dec 31
(\$ millions)								
Monetary Base								
(Monetary Liabilities of Banco Central):								
Currency in circulation . . .	3,375	4,729	5,144	6,896	6,461	7,624	7,556	9,648
Sight deposits	1,410	880	1,399	921	1,552	1,638	1,899	1,267
Special Accounts	15	7	15	6	21	15	16	95
Bonex backed swaps	—	—	(117)	(119)	(1)	—	(11)	0
Total:	<u>\$4,800</u>	<u>\$5,616</u>	<u>\$6,441</u>	<u>\$7,704</u>	<u>\$8,033</u>	<u>\$9,277</u>	<u>\$9,459</u>	<u>\$11,010</u>
Convertibility Law								
Reserves:								
Gold	1,547	1,597	1,431	1,430	1,489	1,485	1,511	1,446
Cash	28	18	5	22	25	18	4	1
Deposits	54	77	680	165	149	86	95	1,137
Sight deposits	373	397	296	269	303	317	273	422
Fixed term deposits	2,009	2,787	3,241	5,490	6,067	7,371	8,353	8,467
ALADI (net)	609	540	512	328	—	—	(385)	(409)
Argentine govt. bonds (Bonex)	862	983	1,138	1,270	1,471	1,104	940	1,274
Total:	<u>\$5,482</u>	<u>\$6,399</u>	<u>\$7,303</u>	<u>\$8,974</u>	<u>\$9,504</u>	<u>\$10,381</u>	<u>\$10,791</u>	<u>\$12,496**</u>

* All figures are at market values as of the date indicated.

Source: Banco Central.

** Includes \$157.3 million in other Reserves.

As shown in the table below, since the Plan was introduced in March 1991, inflation, as measured by CPI, declined from a 27 per cent. monthly rate in February 1991 to a 0.3 per cent. monthly rate in December 1992 and a 17.5 per cent. annual rate for 1992. Inflation, as measured by the wholesale price index ("WPI"), fell over the same period from a monthly rate of 37.9 per cent. in February 1991 to a monthly rate of -0.7 per cent. in December 1992. The WPI inflation rate for 1992 was 3.1 per cent. Since March 1991, the rate of increase in the WPI has been significantly below the rate of increase of the CPI. The low levels are a reflection of increased competition for goods partly as a result of the influx of cheaper imports. Wage increases and the prices for services have not been as effectively contained under the Plan which has led to continuing increases in the CPI. As usual, by mid-year, demand has exceeded supply in respect of certain items such as fresh fruit and vegetables and contributed to the rise in CPI inflation.

Monthly Inflation and Interest Rates

	<i>Consumer prices, increase over previous period</i>	<i>Wholesale prices, increase over previous period</i>	<i>Weighted monthly call rate on interbank loans</i>
<i>1991</i>			
January	7.7%	10.1%	22.9%
February	27.0	37.9	21.4
March	11.0	0.4	16.3
April	5.5	1.4	1.3
May	2.8	1.0	2.6
June	3.1	1.1	1.7
July	2.6	0.4	2.5
August	1.3	0.4	1.3
September	1.8	0.4	1.7
October	1.4	0.7	1.3
November	0.4	-0.9	1.2
December	0.6	-1.0	2.7
<i>1992</i>			
January	3.0	0.4	1.4
February	2.2	0.5	0.8
March	2.1	1.5	0.9
April	1.3	0.1	1.1
May	0.7	0.0	0.9
June	0.8	0.8	0.6
July	1.7	0.9	1.2
August	1.5	0.6	1.1
September	1.0	0.7	1.0
October	1.3	0.1	1.1
November	0.5	-1.8	2.0
December	0.3	-0.7	2.8
<i>1993</i>			
January	0.8	0.8	1.0
February	0.7	0.9	0.4

Sources: INDEC and Banco Central.

Recent Developments

Demand and output continued to grow strongly in 1992, assisted by large inflows of capital. Industrial production increased by 12.0 per cent. in 1992. Imports of \$14.8 billion represented an increase of 78 per cent. of the total imports as compared to 1991 and a trade deficit of \$2.5 billion was recorded for the period.

Current revenues in the first half of 1992 were up substantially from those for the same period in 1991, due principally to increased social security contributions and VAT receipts. The increase was partly offset by higher transfers to the provinces under the federal tax co-participation scheme. Total revenues and expenditures for 1992 were in excess of the IMF program targets. The primary balance before asset sales was also in excess of projections.

Following the implementation of the Convertibility Plan, monetary and credit expansion were far stronger than envisaged. Monetary aggregates in pesos have recovered most of the terrain lost during the hyperinflation outbursts. During 1992, the narrow money aggregate M1, defined as the sum of currency in circulation less cash in vaults plus demand deposits, represented 6.4 per cent. of GDP, exceeding the levels of previous years. The broad money aggregate M3, which includes M1 plus savings and time deposits, represented during 1992 an average level of approximately 11 per cent. of GDP. Nevertheless, this ratio underestimates the recovery of monetary aggregates by excluding deposits in foreign currencies which, at the

end of 1992, were estimated to be \$11 billion or 75 per cent. of total deposits in pesos. These additional resources are quite significant for recent credit expansion because of their size and their sharp rate of growth. The international reserves continue to increase; as of December 1992, they reached \$12.5 billion (including \$1.274 billion Bonex) or \$3.5 billion over their level at the end of 1991 and \$6.5 billion more than at year-end 1990.

Privatization Program

In 1989, the government-sponsored Law 23,696 for the Reform of the State was adopted declaring 32 state enterprises eligible for privatization (the number of eligible enterprises was increased at the end of 1990). In addition to increasing the efficiency of services provided by public-sector enterprises, the privatizations have also served to provide cash proceeds to reduce the public-sector deficit, reduce the government's external debt through selective use of debt-equity conversions and increase tax revenues from the new owners of the enterprises.

Through both direct sales and share offerings, Argentina's privatization program has allowed the government to raise \$5.3 billion in cash proceeds while reducing the book value of its debt by \$12 billion to date. In addition, since the initiation of the privatization program, there has been a reduction of over 42,000 employees from the public enterprise sector. Excluding companies under the control of the Ministry of Defense, the continuation of the privatization program is expected to reduce public enterprise sector employees by an additional 139,000 during 1992 and 1993, leaving only an estimated 41,500 public enterprise sector employees by the beginning of 1994.

The privatization program has also served as an important conduit to attract direct foreign investment into Argentina, attracting interested investors from Asia, Europe, North America and South America. This process has been highlighted by several large scale transactions including the division and sale of the national telecommunications company (ENTel) into two operating companies (Telefonica and Telecom) which resulted in total proceeds of \$2.6 billion in cash and a \$5.0 billion nominal reduction in external debt, the division and sale of Argentina's largest integrated utility (SEGBA) for \$280 million in cash and \$2.0 billion in face value debt, and the gas national company (Gas del Estado) for \$300 million in cash and about \$3.5 billion in face value debt.

Argentina's privatization program has also included the sale of development and joint-venture rights to oil fields belonging to YPF S.A. ("YPF"), the state-owned integrated oil company, and the sale of two television stations and twenty eight radio stations. In addition, concessions to operate two railway lines, 10,000 kilometres of roads and the national water works (Obras Sanitarias de la Nacion) have been sold to private investors.

The government has announced its intention to complete by the second quarter of 1993 privatization transactions underway in the following areas: generation and transmission of electricity (HIDRONOR and Agua y Energia Electrica), sea transportation (ELMA), concessions for exploration of oil areas as well as oil pipelines, refineries and drilling equipment belonging to YPF, the postal service (ENCOTEL) and a clinic (Halliburton). Of these, the sales of YPF and ENCOTEL are expected to generate the most revenue.

The table below lists the principal companies sold in 1990, 1991 and 1992 under Argentina's privatization program.

Argentina's Recent Privatizations

<u>Company</u>	<u>Type of Business</u>	<u>Date</u>	<u>Price (\$millions)</u>	
			<u>Cash</u>	<u>Debt (Face Value)</u>
ENTel*	Telephone System	1990 Q4	\$ 214	\$ 5,030
Telefonica**	Telephone System	1991 Q4	1,138	—
Telecom**	Telephone System	1992 Q1	1,220	—
Aerolineas Argentinas	Airline	1990 Q4	181	1,306
YPF: secondary areas	Oil fields	1991 Q1	62	—
		1991 Q3	9	—
		1992 Q1	19	—
		1992 Q2	48	—
		1990 Q3	169	—
		1991 Q3	238	—
		1992 Q4	180	—
		—	—	—
		1991 Q4	199	—
		1992 Q1	285	—
central areas	Oil fields	1992 Q4	64	—
		1991 Q1	14	41
Polisur	Petrochemicals	1991 Q1	9	27
Monomeros Vinilicos	Petrochemicals	1991 Q1	5	13
Petropol	Petrochemicals	1991 Q1	18	51
Induclor	Petrochemicals	1991 Q1	14	—
TV & radio stations	TV & radio	1990 Q1	—	—
Rosario-Bahia Blanca R.R.	Railways	1991 Q2	annual fee	—
Vialidad Nacional	Highways	1990 Q4	annual fee	—
Vizcacheras	Oil fields	1991 Q3	98	—
El Huemul	Oil fields	1991 Q3	134	—
El Tordillo	Oil fields	1991 Q3	101	—
Puesto Hernandez	Oil fields	1991 Q3	241	—
Faro Virgenes	Oil fields	1991 Q3	45	—
Est. Fernandez Oro	Oil fields	1991 Q3	34	—
Puesto Rojas	Oil fields	1991 Q3	29	—
Bella Vista	Oil fields	1991 Q3	22	—
Hotel Llao-Llao	Hotel	1991 Q4	4	13
Forja Argentina	Foundry	1991 Q4	1	—
Tandanor	Shipyards	1992 Q1	60	—
Petroquimica Rio Tercero	Petrochemicals	1992 Q1	7	—
SEGBA-Puerto Nuevo and Nuevo Puerto	Energy	1992 Q2	92	—
Altos Hornos Zapla	Steel	1992 Q2	3	30
SEGBA-Central Costanera	Energy	1992 Q2	90	—
SEGBA-southern zone (Edesur)	Energy	1992 Q3	30	481***
SEGBA-northern zone (Edenor)	Energy	1992 Q3	30	398***
ELEVADORES Puertos Quequen,	Grain			
Buenos Aires & P. Diamante	Elevators	1992 Q3	6	—
Agua y Energia Electrica				
Alto Valle	Energy	1992 Q3	22	—
Central Guemes	Energy	1992 Q3	10	76***
Central Sorrento	Energy	1992 Q4	5	4
Hipodromo Argentino	Horse Racetrack	1992 Q3	62	—
SEGBA-C.Dock Sud	Energy	1992 Q4	25	—
SEGBA-C.P. de Mendoza	Energy	1992 Q4	9	—
SEGBA-EDELAP S.A.	Energy Distribution	1992 Q4	5	134***
SOMISA	Steel Mill	1992 Q4	140	12
Gas del Estado				
Two Transportation Companies	Gas	1992 Q4	128	438***
Eight Distribution Companies	Gas Distribution	1992 Q4	172	1,103***

* Sale of 60 per cent. interest to operators.

** Sale of 30 per cent. interest to the public on the Buenos Aires Stock Exchange.

*** Cash Equivalent.

Deregulation of the Economy

Deregulation of the domestic economy, liberalization of trade and reforms of investment regulations, although not part of the original Convertibility Plan, are prominent features of Argentina's structural adjustment program. In order to achieve the free functioning of markets the government has undertaken an extensive program for the removal of economic restrictions and regulations and the promotion of competition.

In 1989 and 1990, the initial steps were taken to liberalize industrial and consumer prices previously subject to various restrictions as a consequence of hyperinflation and to encourage international trade by the elimination of controls. Restrictions were removed in order to extend the ability to provide certain public services which had been natural monopolies and to permit them to be provided in a specific regulatory environment, such as telephone, electricity and natural gas.

On October 31, 1991, Decree No. 2284, the principal deregulation legislation, was issued to facilitate and reinforce economic freedom and government reform, consolidating stability, avoiding relative price distortions and improving the allocation of resources. In general terms, the Decree deregulated the domestic market for goods, services and transportation, abolished restrictions on imports and exports, abolished or simplified a number of regulatory agencies and allowed free wage bargaining in the private sector. In the financial sector, the Decree abolished all stamp taxes relating to public offerings and listed securities, all capital gains taxes on stocks and bonds held by non-resident investors and fixed commissions on the stock exchanges.

The process of deregulation and liberalization is being continued through the privatization process, the reform of the social security system, the regional integration involved in MERCOSUR and further labor law reforms.

PUBLIC SECTOR DEBT

Current Situation

As of year-end 1992, Argentina's debt stood at \$68.6 billion including arrears. Of the total, 41 per cent. was owed to commercial banks, 23.7 per cent. to multilateral and official creditors, 19 per cent. to bondholders and the remainder to suppliers and other creditors. Arrears on debt service, owed predominantly to commercial banks, accounted for 12.5 per cent. of the total debt. Over 80 per cent. of non-financial public sector debt is denominated in foreign currencies. Interest payments to bank creditors ceased in April 1988 and were resumed on a partial basis in June 1990 – initially \$40 million per month and later raised to \$60 million, which on an annual basis covered between 30 per cent. and 35 per cent. respectively of bank interest falling due. As part of the negotiations for the rescheduling of the external debt in early 1992, this was raised in April 1992 to \$70 million per month, representing 55 per cent. of bank interest falling due.

On 31st March, 1992 the Board of Directors of the IMF approved the three year SDR 2.1 billion EFF (currently worth approximately \$3.2 billion) to replace the fifth standby arrangement which was due to terminate in June 1992. The approval was an important preliminary step before agreements were reached with commercial banks and Paris Club creditors in the following months.

On 21st July, 1992, Paris Club creditors agreed to reschedule all principal and interest payments falling due during July 1992-March 1995 on debt that had not been rescheduled previously; in addition, they agreed to reschedule all principal and interest payments falling due on debt previously rescheduled to July 1992-June 1993, as well as all principal payments falling due during July 1993-March 1995. The implementation of the agreement beyond June 1993 is contingent on the approval of the target arrangements to be agreed with the IMF under the EFF for the second and third years of the EFF's operation. The \$2.7 billion rescheduled under this arrangement will be repaid over a 13-year period beginning in May 1996, with a rising amortization schedule.

The issuance of the Bonds is part of a new refinancing plan relating to medium-and long-term debt to commercial banks announced in June of 1992 (the "1992 Financing Plan"). The 1992 Financing Plan

applies to an estimated \$28 billion of debt, including an estimated \$8 billion in interest arrears. The Floating Rate Bond Exchange Agreement provides that interest claims will be cancelled in exchange for the payment of \$0.7 billion in cash and the issuance of unsecured Floating Rate Bonds, the principal of which will be paid by Argentina over a 12-year period. The Discount and Par Bond Exchange Agreement provides that at least 35% of the principal amount of the Eligible Debt will be exchanged for bonds issued in a principal amount equal to 65% of the Eligible Debt exchanged therefor ("Discount Bonds"). The remaining Eligible Debt will be exchanged for bonds having a principal amount equal to the principal amount exchanged therefor ("Par Bonds"). The Discount Bonds and the Par Bonds will have a tenor of 30 years and will be paid in a single installment. The Discount Bonds will have a floating interest rate of Libor (the London interbank offered rate) plus 0.8125 per cent. per annum and the Par Bonds will have fixed sub-market interest rates increasing from 4 per cent. per annum initially to a fixed 6 per cent. per annum in the seventh year. The principal amount of both the Par Bonds and the Discount Bonds will be collateralized with U.S. Treasury bonds and interest payments for both the Par Bonds and Discount Bonds will be collateralized in an amount equal to 12 months of interest.

The agreements reached with both commercial banks and Paris Club creditors have been fully supported by the IMF. The IMF and other international financial institutions have provided financing for a portion of the cost of the collateral for the USD Discount and Par Bonds issued under the Brady Plan.

Under the EFF, the target for the overall balance of the public sector was 0.6 per cent. of GDP for 1992. Achieving it required a primary balance (financial balance excluding debt service) of \$4.9 billion amounting to 3.2 per cent. of GDP for 1992. A surplus larger than that magnitude allowed the government to meet its programmed debt servicing requirements and increase its international reserves for eventual use in external debt reduction. Interest payments and the quasi-fiscal balance of Banco Central, which includes total domestic and external debt service, have declined from \$5.17 billion in 1990 to \$3.6 billion in 1992.

The table below sets forth Argentina's non-financial public sector debt for 1991 through 1993, as estimated under the IMF Plan.

Non-Financial Public Sector Debt¹
(in millions of U.S. dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>
<u>TOTAL</u>	74,392	68,627	63,386
Collateral	0	0	(3,238)
Total NFPS	74,392	68,627	66,624
Commercial Banks (Principal) ²	22,704	19,847	17,416
Commercial Banks (Interest)	7,880	8,309	7,609
IMF	2,489	2,402	3,923
IDB and World Bank	5,215	5,136	7,071
Paris Club	8,816	8,835	9,017
Bonex ³	4,561	3,808	3,123
New Money Bonds	88	82	71
Euronotes	500	750	750
Bocon (in Pesos and US\$) ⁴	0	5,219	7,689
Other Bonds denominated in Foreign Currencies	1	2,036	2,819
Other Bonds in Pesos	1,638	1,496	1,343
Other	2,055	1,097	1,539
Other Debt to be consolidated ⁵	18,445	9,609	4,254

¹ Preliminary data.

² Excludes debt-to-equity swaps through gas del Estado, Hidronor and other privatizations.

³ Excludes BCRA and social security holdings.

⁴ Does not include (a) fiduciary accounts for purchases from SEGBA's privatization or (b) debt-to-equity swaps from Gas del Estado privatization. Includes US\$764 million "Bonos de Cancelacion de Regalias Hidrocarburiferos." Excludes about US\$800 million "BOCON 1era Serie" in Y.P.F. portfolio.

⁵ Outstanding debt.

History and Background

Argentina has experienced a number of external payments crises since the 1930s, reflecting 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.

External indebtedness expanded significantly under the military regimes of the 1976 to 1983 period. At the end of 1983, when the civilian government of Raul Alfonsin took office, total external debt was \$45 billion, more than double the level in the late 1970s. During the 1980s, private external debt was effectively assumed by the government when it was unable to honor the terms of foreign exchange insurance (seguro de cambio) programs initiated in 1981.

Major restructurings of existing debt due to commercial bank creditors were negotiated in 1985 and in 1987 under the Guaranteed Refinancing Agreement. The first consolidated and extended maturities to 10 to 12 years (depending on the obligation) at a spread over Libor of 1.375 per cent. and achieved a maintenance agreement for short-term money-market lines and trade financing. The total amount of debt affected was \$16.6 billion. The 1987 rescheduling affected \$34.7 billion of bank debt (including previously rescheduled debt); over three quarters of this amount received maturities of 19 years with 5 to 7 year grace periods and a lower interest rate of Libor plus 0.8125 per cent.

Commercial banks made new loans as part of the rescheduling arrangements. Loans of \$1.25 billion were disbursed in 1983, followed by \$1.75 billion (net of a bridge loan repayment) in 1985 and a further \$1.24 billion in 1987. Since 1987, there have been no further new money loans or formal reschedulings, except

for another extension of maintenance agreements for short-term money market lines and trade finance in 1989 and the rescheduling presently envisaged under the Brady Plan. In September 1991, Banco Central exchanged these outstanding deposits for new short-term deposits totalling approximately \$130 million in aggregate. The new deposits are repayable in four equal installments, of which the first three have already been paid and the last is due in April 1993.

The government has succeeded in reducing commercial bank debt through its privatization program. As discussed above, since 1990, more than \$12 billion of bank debt has been tendered in connection with privatizations, the bulk of it in the sales of ENTel, Aerolineas Argentinas, SEGBA and Gas del Estado. This program has contributed significantly to a reduction in Argentina's bank debt from \$34.8 billion in 1989 to \$28.1 billion in 1992. This figure is estimated to go down to \$25 billion by the end of 1993, upon completion of the 1992 Financing Plan.

The IMF and the World Bank have provided financial support which is conditional on the government's compliance with stabilization and reform policies. IMF programs are based on performance criteria aimed at reducing public-sector deficits, limiting expansion of domestic credit and accumulation of new external debt, and maintaining or increasing net international reserves. These performance criteria are supplemented by understandings with the government on key relative prices in the economy, such as prices for services provided by state enterprise (particularly utility and fuel prices), domestic interest rates and exchange-rate and wage policies. The IMF has also provided technical assistance on tax reform and administration. Generally, the World Bank and the Inter-American Development Bank have made the availability of their funds subject to compliance with IMF conditions although additional conditions in support of structural reforms or project lending have been applied in loans to certain investors.

Since 1982, the Argentine government has had five standby agreements with the IMF covering: (1) January 1983-April 1984, (2) December 1984-June 1986, (3) July 1987-September 1988, (4) November 1989-March 1991 and (5) July 1991-June 1992. The first, third and fourth standby agreements were not fully disbursed due to non-compliance with performance criteria. During the first four standby agreements, a total of SDR 4.8 billion in special drawing rights was disbursed, including SDR 1.5 billion from the IMF's compensatory financing facility which provides financial aid when commodity exports have been abruptly depressed by adverse external shocks. The fifth standby agreement programmed SDR 780 million to support the government's stabilization and reform program through June 1992. When requesting the EFF arrangement, Argentina asked for the cancellation of the fifth standby agreement under which all quantitative performance criteria for the end of 1991 had been met. All standby facilities have now been repaid.

World Bank lending was modest during the early 1980s, consisting only of disbursements from existing project loans. World Bank operations expanded substantially during 1986-88, with gross disbursements averaging \$565 million per year, but they declined to \$316 million in 1989 due to the government's noncompliance with conditions of sector loans supporting reforms in the trade regime and banking sector. Disbursements rose to \$405 million in 1990. The current focus of World Bank support is lending to assist four areas of reform: (1) public enterprises, mainly assisting the privatization process and providing technical assistance in reforming regulatory frameworks, (2) administrative reforms in the federal government and Banco Central, (3) provincial finances and (4) continued opening of the external trade regime. Loans in these areas include two public enterprise adjustment loans for \$300 million each, a public sector reform loan for \$325 million, a provincial development loan for \$200 million and a loan for \$450 million made in support of the debt and debt service reduction program agreed with commercial banks.

The Inter-American Development Bank has lent \$3.4 billion to Argentina since 1982, almost exclusively for project financing. The energy sector accounts for 41 per cent. of the Inter-American Development Bank's claims in Argentina, followed by 16 per cent. in the agricultural sector. The remainder is concentrated in public health, industry and mining, transportation and communications, education and urban development. The Inter-American Development Bank has begun to make loans under its microenterprises support program, which seeks to increase the access of very small entrepreneurs to local currency credit and training programs. The Inter-American Development Bank is also co-financing the World Bank's public-sector reform loan with a \$300 million loan. The investment-sector reform has received support of the IDB with a \$350 million loan and the debt reduction program received an additional support for \$400 million.

Prior to the agreement reached with Paris Club creditors, official debt due to other governments, principally through their export credit agencies, was restructured in four separate agreements achieved in 1985 (\$2.1 billion of affected debt), 1987 (\$2.1 billion), 1989 (\$2.4 billion) and 1991 (\$1.4 billion). For the bulk of these operations, new maturities averaged 10 years, with grace periods of 5.7 years. In conjunction with conditional lending from the IMF and the World Bank, the governments of industrialized countries also made ten short-term bridge loans from December 1982 through June 1989. The average amount of the operations was \$500 million; these loans provided liquidity to Banco Central in advance of initial disbursements of IMF programs.

Two small bond issues emerged from the 1987 rescheduling of bank debt; new money bonds (\$88 million outstanding) and "alternative participation instruments" (AIPs, \$4 million outstanding). These have been fully and promptly serviced.

Of the currently outstanding Bonex (\$3.8 billion as of 31 December, 1992), the bulk are the 1989 issue, which resulted from the involuntary exchange of domestic austral-denominated debt for Bonex in connection with the Bonex Plan in December 1989. Scheduled interest payments on the 1989 and all other issues of Bonex have always been fully and promptly paid. A new issue of Bonex (Bonex 92) of up to \$1 billion was authorized on 4th September, 1992; this issue is being allocated within the public sector entities but will not be available to private investors.

Argentina issued \$300 million 11 per cent. Notes Due 1993, \$200 million 9½ per cent. Notes Due 1993, and \$250 million 8¼ per cent. Notes Due 1997 into the Eurobond market in October 1991, December 1991 and October 1992 respectively.

The growth of the arrears problem has, to a large extent, been due to fiscal considerations. The bulk of external debt is public, but the public sector has not generated foreign exchange earnings. The government has accordingly purchased foreign exchange from the private sector in order to service the external debt. This in turn has had an inflationary effect when such purchases could not be adequately covered by primary surpluses in the public sector. Such purchases which are not covered by a public-sector primary surplus are currently prohibited under the provisions of the Convertibility Law.

Argentina's ability to service its external debt is largely dependent on its ability to meet its domestic economic stabilization and reform goals. Under current fiscal and monetary policies the financing for foreign exchange purchases to pay interest on external debt must come from the primary surplus of the public sector. Although under the program agreed with the IMF the primary surplus (excluding asset sales) is scheduled to cover external debt interest payments, compliance with the program's targets will depend on continuing control over public sector expenditure and the maintenance of the currently high levels of tax revenues. The rescheduling of commercial bank debt under the Brady Plan is expected to contribute significantly to the level of surplus required to service the external debt.

PUBLIC SECTOR FINANCES

Over the past few decades, Argentina's inflation rate has fluctuated proportionately to the government deficit as can be seen in the table below which provides data on Argentina's consolidated public sector deficit as a per cent. of GDP and its annual average inflation rate during the 1961 to 1991 period. Putting the public sector's finances on a sounder basis has been necessary to lay the foundation for sustained economic growth under low inflation. There was public sector surplus of 0.7 per cent. of GDP in 1992, exceeding the 0.6 per cent. target under the EFF arrangements. The WPI annual inflation rate for 1992 was 3.1 per cent.

Public-Sector Deficit and Inflation

<u>Period</u>	<u>Consolidated public-sector deficit as a per cent. of GDP</u>	<u>WPI annual inflation rate*</u>
1961-67	3.6%	28.0%
1968-70	1.1	11.9
1971-74	4.4	46.8
1975-76	11.0	367.9
1977-81	5.3	127.3
1982-88	13.9	300.6
 <u>Year</u>		
1989	21.7	5,386.4
1990	3.3	798.4
1991	1.8	56.7
1992	-1.0**†	3.1

* Based on WPI for 1961/1988, annual average.

** Negative figures indicate a surplus.

† Estimated

Sources: Ministry of Economy and INDEC.

As shown below in the summary of the consolidated accounts of Argentina's public sector, revenues have increased as a portion of GDP in the last two years as compared with 1987. Although expenditures increased as a portion of GDP in 1991 and 1992, their levels were still below those reached prior to 1988. The quasi-fiscal balance of Banco Central, which includes credits to provincial banks used to finance provincial-government deficits, has been in deficit in each of the past six years.

Summary of Consolidated Public-Sector Accounts*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992**</u>
	<i>(per cent. of GDP)</i>					
Revenues	30.3 %	28.5 %	27.3 %	26.8 %	30.7	32.3
Taxes	17.9	16.2	15.3	16.1	20.1	23.8
Current, nonfinancial public sector						
enterprise	10.1	10.0	9.6	9.1	7.1	6.0
Nontax and capital	2.3	2.3	2.4	1.6	3.5	2.5
Expenditures (excluding interest payments						
and intra-public-sector transfers)	31.2	29.5	27.6	24.6	28.3	28.9
Wages	6.4	6.1	6.1	5.3	6.2	5.6
Goods and services	7.3	7.5	6.9	6.4	5.7	5.3
Transfers	8.3	7.6	7.5	6.1	7.7	8.6
Capital spending	3.8	3.4	3.0	1.8	1.5	1.2
Social security	5.1	4.7	4.0	5.1	7.2	8.2
Other	0.3	0.2	0.1	-0.1	0.0	0.0
Primary balance of nonfinancial						
public sector	-0.9	-1.0	-0.3	2.2	2.4	3.4
Interest payments of nonfinancial						
public sector	-4.7	-5.3	-15.5	-4.5	-3.7	-2.2
Quasi-fiscal balance of Banco Central	-0.9	-0.7	-5.9	-1.0	-0.6	-0.2
Financial balance of consolidated						
public sector	-6.5	-7.0	-21.7	-3.3	-1.8	1.0

* Budgetary units included are: central government, special accounts, decentralized agencies, social security system and nonfinancial public-sector enterprises. Federal transfers to provincial governments are included in total transfers. Revenue collected by the provincial governments and the expenditure net of transfers from the federal government and Banco Central are not included in the accounts.

** Includes preliminary figures for the IV Quarter.

Sources: Ministry of Economy and IMF

As provided for in the national constitution, the responsibility for the preparation of the federal government's annual budget rests with the Ministry of Economy, in accordance with Decree Law 23,354, for approval by Congress. The budget is both an authorization for, and a limit on, public expenditures and taxes. In practice the requirement for a national budget in advance of the year has frequently not been complied with, and the previous year's budget has been employed under a continuing resolution procedure. The budget for 1992 was presented to Congress on 13th September, 1991, the first time in many years that the budget had been prepared ahead of schedule. The budget for 1993 was approved by Congress in December 1992, and, provides for total national administration revenues and expenditure of 39,650 million pesos each, including public debt service payments of 3,362 million pesos, 8.5 per cent. of the total expenditure of the national administration.

Federal taxes may be imposed only by laws enacted by Congress. The executive branch is empowered to issue regulations and decrees necessary to implement the application of such laws. The collection of public revenues is the responsibility of the Ministry of Economy, mainly through the DGI. Responsibility for the execution of the budget is assigned by the national constitution to the executive-branch ministries. The Tribunal of Accounts of the Nation ("TCN") is the government agency in charge of budgetary compliance by the government and its agencies. The TCN has auditing powers.

The legal authority to impose taxes is shared between the Congress, the provincial legislatures and, within certain limits, the Municipalities. The precise distribution of taxing authority, however, is not clearly defined. The Supreme Court has construed constitutional clauses relating to taxing power, concluding that taxes on external trade may be levied only by the federal government and that, in general terms, the federal taxing authority is limited to certain indirect taxes and temporary direct taxes levied only under exceptional circumstances. The rest of the taxing authority remains with the provinces. Collection inefficiencies at the provincial level and the adverse effect of inflation on the real value of revenues, however, have led the federal government to assume the bulk of the taxing authority. Currently, the federal government imposes, on an exclusive basis, income and other taxes (which the constitution permits the provinces to raise) and then shares

the revenue with the provinces under Law 23,548. The shared taxes (called co-participated taxes) include income taxes, value-added tax, tax on bank drafts and excise taxes. In 1991 and 1992, co-participated taxes accounted for a substantial portion of the total, in which the national value-added tax was the largest component. This increase in collection of co-participated taxes at the national level led to a corresponding increase in the amount of revenue shared with the provinces. In addition to tax revenues, the national government also receives minor nontax revenues in the form of carryovers from previous fiscal years.

On 12th August, 1992, a new revenue sharing arrangement was agreed with the provincial governments; it provides resources for an immediate increase in pensions to the legal minimum, thereby halting the accrual of arrears. Prior to the arrangement, a fixed percentage (56.7 per cent.) of national co-participated taxes was transferred to the provinces. The new scheme provides that 15 per cent. of all co-participated revenues will be earmarked for social security. Of the remaining 85 per cent., the provinces will receive \$725 million per month (plus approximately \$100 million per month in respect of education and health service expenditure, and \$43.5 million in respect of payments agreed with individual provinces). These amounts are fixed until the end of 1993 and are lower than the IMF projections for transfers to the provinces for the final quarter of 1992 and the whole of 1993.

Under the government's tax reform program, tax revenues have been increased while at the same time taxes that impede commercial transactions—such as export duties, stamp taxes on stock transactions and taxes on foreign exchange transactions—have been phased out. The foundation of the new system is an 18 per cent. value-added tax on goods and services, with very few exceptions. As a complementary tax to the existing corporate and personal income tax, the Government has also instituted a tax on non-productive assets and a tax on worldwide personal property that has not been incorporated into the economic process. Other recent reforms include a 30 per cent. tax on gross corporate profits and a special tax regime designed to encourage the repatriation of flight capital.

These changes have been accompanied by a substantial strengthening of the tax administration. Penalties for non-compliance have been greatly increased. New billing procedures have been implemented in order to facilitate more effective control over the tax collection process. In addition, the government has significantly upgraded auditing operations to make them more efficient and implemented systems to monitor the largest taxpayers (who account for at least 85 per cent. of domestic tax revenue). The government's tax reforms have already increased revenues collected. Total tax revenues (including co-participated taxes) in 1992 were up by 45 per cent. as compared with revenues for 1991. Total tax revenues were 24 per cent. of GDP in 1991 and climbed to more than 26 per cent. of GDP in 1992, the highest level in over 20 years.

The government has also put before Congress a draft law for the reform of the social security system. The new scheme which will replace the current state-operated system provides for (a) a basic pension, equivalent to 1.5 times the employee's average obligatory contributions, payable to those paying contributions for 30 years or more and (b) a pension provided by a private pension fund of the employee's choice. Employees will be obliged to contribute 11 per cent. of their wages to their chosen private pension fund. The basic pension will be funded by employer contributions. There is also a transitional scheme which will compensate employees who have already made contributions under the present system which will be funded by employer contributions. Besides transferring the bulk of the operation of the scheme outside the public sector and introducing a simplified system which is expected to reduce the level of evasion, the reforms are expected to have a significant effect on capital markets with a transfer of approximately \$3 billion each year to institutional investors. The table below provides quarterly revenues for the non-financial public sector.

Average Non-financial Public-Sector Revenue

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992*</u>
	<i>(per cent. of GDP)</i>					
Treasury tax revenue subject to revenue sharing with						
provinces	7.4	6.4	5.8	6.3	9.7	10.9
Income tax	1.5	1.3	1.0	0.7	0.8	1.3
Value added tax	2.8	2.0	1.6	2.8	4.5	6.9
Excise taxes	1.5	1.3	1.0	1.0	1.5	1.5
Tax on bank drafts	0.4	0.9	0.8	0.4	1.2	0.5
Others	1.2	0.9	1.4	1.4	1.7	0.7
Taxes on petroleum products	0.7	-0.2	0.0	0.5	0.7	1.0
Treasury tax revenue not subject to revenue sharing with						
provinces	2.2	2.0	2.6	2.3	1.2	2.3
Taxes on international trade	1.7	1.3	2.3	2.2	1.1	1.1
Export taxes	0.3	0.2	1.7	1.6	0.4	0.0
Import taxes	1.3	1.0	0.6	0.5	0.6	1.1
Others	0.5	0.7	0.3	0.1	0.1	1.2
Special accounts and decentralized organizations tax						
revenue	3.6	3.6	3.0	2.4	2.3	1.3
General government non-tax and capital revenue	2.2	2.2	2.8	1.9	3.6	2.7
Social security revenue	4.0	4.4	3.5	4.7	6.0	7.8
Operating surplus of non-financial public enterprises	1.4	1.2	1.0	1.3	0.5	0.3
Total	21.4	19.6	18.7	19.4	24.0	26.5

* Preliminary estimates.
Source: Ministry of Economy.

ECONOMIC BASE

GDP rose by 7.6 per cent. in 1991 and an estimated 7.5 per cent. in 1992, following three consecutive years in which domestic output had been stagnant or had contracted. Declining real wages and the contraction caused by government stabilization programs had led to a reduction in both the real consumption and consumption as a portion of GDP from 1987 to 1990, but consumption rose again in 1991 to 83.5 per cent. of GDP. During 1992, consumption continued to be strong and the use of capital goods as a percentage of GDP increased. Gross investment also declined during the 1987 to 1990 period, but rose to 10.0 per cent. of GDP in 1991 and an estimated 12.0 per cent. in 1992. Exports increased throughout the 1987 to 1990 period, growing both in real terms and as a percentage of GDP, as exporters adjusted to slack domestic demand by seeking external markets for their products. In 1991, domestic demand increased, total exports fell slightly in 1991 and maintained a level of \$12 billion in 1992. Imports nearly doubled in real terms both in 1991 and in 1992, reflecting an increased demand for consumer durables and in real domestic investment. The table below sets forth the major components of aggregate demand during the 1987-1991 period, expressed as a percentage of GDP.

Composition of Aggregate Demand*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	<i>(per cent. of GDP)</i>				
Consumption	83.4%	80.5%	80.3%	77.5%	82.8%
Gross Investment	13.1	12.0	8.7	8.1	10.0
Construction	7.5	6.6	4.8	4.0	n.a.
Equipment	5.8	4.9	3.9	3.5	n.a.
Change in inventories	-0.2	0.5	0.0	0.6	n.a.
Exports	14.0	17.1	19.3	22.7	19.2
Imports	<u>-10.6</u>	<u>-9.6</u>	<u>-8.3</u>	<u>-8.3</u>	<u>-13.0</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

* Based on prices expressed in constant pesos of 1970.
Source: Banco Central, National Accounts.

The tables below present data on the composition of aggregate supply, expressed as a percentage of GDP, and on the growth rates of the main supply sectors of the economy from 1987 to 1991.

Composition of Aggregate Supply*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	<i>(per cent. of GDP)</i>				
Production sectors	49.1%	48.7%	47.9%	47.6%	48.3%
Agriculture	14.7	15.1	15.3	16.7	16.4
Manufacturing	23.4	22.5	21.9	20.7	21.6
Construction	3.7	3.2	2.3	1.9	2.0
Mining	2.4	2.7	2.9	2.9	2.8
Electricity, gas, and water	4.9	5.3	5.5	5.4	5.5
Service sectors	50.9	51.3	52.1	52.4	51.7
Commerce	14.3	13.8	13.3	13.0	13.4
Transport and communications	11.6	11.6	11.8	12.2	11.2
Finance	7.9	8.1	8.3	8.4	8.8
Social and personal	<u>17.0</u>	<u>17.8</u>	<u>18.8</u>	<u>18.8</u>	<u>18.2</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

* Based on prices expressed in constant pesos of 1970.
Source: Banco Central, National Accounts.

Growth in Economic Activity*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	<i>(per cent. change)</i>				
Goods	2.1%	-3.6%	-6.2%	-0.1%	6.8%
Agriculture	3.0	-0.6	-2.9	9.8	3.9
Manufacturing	-0.6	-6.9	-7.1	-4.8	11.9
Construction	14.7	-14.5	-31.6	-18.8	-2.0
Mining	0.2	9.5	3.2	-1.5	-5.8
Electricity, gas and water	6.1	4.9	-1.3	-0.6	2.3
Services	2.2	-1.8	-2.8	0.9	7.1
Commerce	1.4	-5.7	-8.1	-1.7	16.4
Transport and communications	2.6	-2.9	-3.0	1.6	4.4
Finance	2.9	-0.6	-2.5	-2.0	10.1
Social and personal	2.2	1.7	1.2	0.6	-1.4
Total	2.2%	-2.7%	-4.5%	0.4%	7.6%

* Based on prices expressed in constant pesos of 1970.

Source: Banco Central, National Accounts.

From 1987 to 1990, agriculture accounted for an increasing portion of aggregate supply, rising from 14.7 per cent. of GDP in 1987 to 16.7 per cent. of GDP in 1990, even though real growth in the agricultural sector had been erratic. The rising share of agriculture was attributable to the sharp declines in output in other sectors, mainly manufacturing and construction, that occurred during the economic contraction of 1988 through 1990. In 1991, the percentage share of GDP of agriculture slipped, mainly as a result of increased manufacturing output.

Based on the resumption of growth in industrial production that occurred during 1991 and 1992, real GDP increased in 1992 to \$153 billion, which would raise Argentina's GDP per capita to \$4,500. Sustained economic growth, however, will depend on the ability of the government to foster a stable macro-economic environment conducive to domestic investment.

Agriculture

Argentina has a well-diversified, mechanized agricultural sector that benefits from a favorable climate and some of the world's richest soils. Agriculture has averaged 15 per cent. of GDP since 1982 and has historically accounted for the majority of Argentina's export earnings: agriculture generated an average of 74 per cent. of the nation's export earnings during the 1981 to 1985 period, 64 per cent. of those earnings during the period from 1986 to 1990, and 69 per cent. in 1992. The country is self-sufficient in virtually all agricultural goods, and is a major exporter of grains, livestock and oilseeds. The following table presents data on Argentina's principal agricultural exports for the period from 1987 to 1992.

Argentina's Major Agricultural Exports

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
	<i>(\$ millions)</i>					
Livestock	\$ 655	\$ 741	\$ 917	\$ 1,048	\$ 1,048	\$ 1,060
Grains and vegetables	1,373	1,867	1,573	2,726	2,749	2,888
Oilseeds and oilseed products	546	921	876	1,151	1,221	1,130

Source: INDEC.

Although Argentina has a natural competitive advantage in agriculture, the performance of its agricultural sector has been below potential in recent years, and investment in agriculture has been minimal. Wide swings in agricultural prices, rising inflation rates that increased input costs, frequent changes in export taxes and unstable exchange rates have increased producers' risks and reduced incentives for investing in agriculture. An overvalued exchange rate in the early 1980s, which in effect taxed Argentina's agricultural sector and subsidized urban consumers, had a particularly adverse impact on agricultural producers. Relatively

high tariffs on agricultural imports and subsidies to domestic agricultural producers in the United States, Japan and the European Community, meanwhile, have deterred the growth of Argentina's agricultural exports. Since 1989, Argentina has been active in seeking a reduction in agricultural protectionism in the major industrialized countries, and is a member of the Cairns group of grain-exporting countries (which includes, among others, Australia, Canada, Chile, New Zealand and Uruguay). During the unsuccessful 1990 Uruguay Round negotiations, Argentina argued with the Cairns group for a 75 per cent. reduction in domestic subsidies and 90 per cent. reduction in export subsidies to agricultural producers.

Agriculture expanded at a 9.8 per cent. rate in 1990 and at a 3.8 per cent. rate in 1991. Exports of soy increased substantially in 1990 and 1991 while exports in industries related to agriculture (such as the leather goods and food industries) increased by 18.0 per cent. in 1990 and maintained their levels for 1991, decreasing slightly in 1992.

Manufacturing

The import substitution-industrialization policies pursued by successive Argentine governments throughout most of the post-World War II period fostered the growth of the manufacturing sector, which now employs approximately 20 per cent. of the country's economically active population. High tariffs and government credit subsidies have until recently insulated domestic producers from international competition, and production has generally been directed at the domestic market.

In 1991, manufacturing represented approximately 21.6 per cent. of GDP. Argentina's manufacturing sector, however, was adversely affected by the decline in domestic consumption and investment in the 1980s; at its peak in 1974, manufacturing represented 28.3 per cent. of GDP. Manufacturing GDP declined by 10 per cent. in total for the two-year period of 1989 and 1990, to its lowest level in a decade. The sector was affected by reduced real wages and real effective exchange rates which followed the government's adjustment measures under the Bonex Plan. The sector began to recover in the second half of 1990 and continued growing during 1991. Industrial production increased by an estimated 12 per cent. during 1991 and 1992.

The Argentine industrial sector produces a wide range of products. Food, beverage and tobacco comprise the largest component within the sector, and have remained relatively stable as a percentage of manufacturing GDP. The second largest sub-category are chemicals, which have enjoyed an increase because of the growth in petrochemical, plastics and carbon products. This growth has offset a decline in machinery and equipment which today comprise a smaller per cent. of manufacturing GDP than five years ago. The decline in this last category reflects reduced investment throughout the economy, and the impact of imports as the economy has become more open. The table below shows the composition of output in the manufacturing sector during 1987 to 1990.

Composition of the Manufacturing Sector

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
	<i>(per cent. of value of manufacturing output)</i>			
Food, beverages and tobacco	24.5%	23.9%	25.8%	26.7%
Textile and leather industry	8.6	9.0	9.2	9.5
Wood and furniture	1.3	1.1	1.3	0.9
Paper, printing and publishing	4.9	5.0	4.9	5.2
Chemicals	17.1	18.3	18.4	20.0
Non-ferrous metals	4.7	4.7	4.3	4.1
Basic metals industry	7.4	8.1	8.9	8.7
Machinery and equipment	24.7	22.9	20.3	17.8
Other	<u>6.9</u>	<u>6.9</u>	<u>7.0</u>	<u>6.9</u>
Total	100.0%	100.0%	100.0%	100.0%

Other Production Sectors

The output of the electricity, gas and water sectors accounted for 5.5 per cent. of GDP in 1991, growing at a rate of 7.6 per cent. The output of these sectors has been fairly stable, so that its per cent. share has risen in recent years with the decline in output in manufacturing and construction sectors. Construction in 1991 was down to only 2.0 per cent. of GDP. The mining sector, at 2.8 per cent. of GDP in 1991, reflects mainly the output of petroleum and coal.

Services

The service sectors together accounted for 51.7 per cent. of GDP in 1991, growing at a rate of 4.5 per cent., in comparison to the 7.6 per cent. rise in the production sector. The commerce and finance sectors, accounted for 13.4 per cent. and 8.8 per cent. of GDP in 1991, and saw the most growth in economic activity within the services sector.

Wages and Employment

Real wage rates in Argentina tend to vary with the inflationary cycle. Because wage bargaining occurs at only discrete intervals, adjustments in nominal wages tend to lag behind changes in inflation. As a result, real wages in Argentina have generally fallen during periods of accelerating inflation and risen as inflation has decelerated.

During 1987 wage policy for both the public and private sectors was based on monthly adjustments. The acceleration of inflation during the year, however, caused a reduction in the purchasing power of wages in the public and private sectors. At the beginning of 1988, collective bargaining was re-established after thirteen years of government intervention in the determination of the private sector wages. The high inflation rate experienced during the first eight months of the year caused a further deterioration of the purchasing power of salaries in spite of a recovery in the last quarter after the implementation of the August 1988 economic plan.

High rates of inflation beginning in March 1989 caused a sharp deterioration of real wages despite the strong nominal wage increases resulting from collective bargaining negotiations. This unprecedented decline leveled off in August 1989. Although private sector real wages recovered slightly in the last quarter, their average purchasing power decreased for the fifth year in a row, reaching their lowest historical level, falling by 22.0 per cent. as compared with 1988.

Private sector real wages rose modestly in 1990. The reduction in inflation that has occurred since February 1991, coupled with large wage increases granted in some industries, led to an increase in real wages for the private sector which has since leveled off. Real wages in the public sector have declined since 1987 as the Argentine government has sought to reduce labor costs that contribute to the public-sector deficit. Employees of the central administration and public enterprises both experienced rises in real terms in 1991, particularly those in public enterprises. Since then, however, the wages of employees in the central administration have fallen to below 1990 levels while those of public enterprise employees have maintained their

levels. During the last months of 1992, both public and private sectors real wages have slightly decreased. The table below shows average real wages in the public and private sectors for the periods indicated.

Average Real Wages (1983=100)*

<u>Year</u>	<u>Private</u>	<u>Public Sector</u>	
	<u>Manufacturing Sector</u>	<u>Central Administration</u>	<u>Public Enterprises</u>
1987	111.6	77.3	102.2
1988	99.3	85.5	98.7
1989	75.4	62.2	84.4
1990	75.4	53.3	74.5
1991	95.8	54.7	84.4
1992	103.8	49.6	81.9
 <u>Month</u>			
1991 December	102.6	55.2	86.1
1992 January	109.9	53.6	89.4
February	113.2	52.5	90.6
March	103.1	51.4	86.9
April	100.9	50.7	85.0
May	101.7	50.4	83.7
June	102.2	50.0	83.4
July	106.8	49.2	81.9
Aug	108.0	48.4	79.3
Sep	101.7	47.9	78.2
Oct	99.3	47.3	75.6
Nov	99.3	47.1	75.2
Dec	99.3	46.7	74.5

* Current month's salary adjusted for following month's inflation figure (purchasing power).
Source: INDEC.

With GDP in decline from 1988 until 1990, annual average unemployment rose steadily, as shown in the table below. The most recent survey, conducted in October 1992, showed unemployment rates in the Greater Buenos Aires area of 6.7 per cent. and 7.6 per cent. in the interior. The labor participation rate in Argentina has remained essentially trendless during 1987-1992, ranging between 40 per cent. and 42 per cent. in Greater Buenos Aires, and between 36.6 per cent. and 38.1 per cent. in the interior of the country—essentially unchanged from the early and mid-1980s.

Substantial progress has been achieved in the reform of the labor laws. National Executive Decree 1334/91 established that salary increases must be keyed to productivity. Decentralization of collective bargaining has been permitted, moving such bargaining to the level of each enterprise. Social charges have been reduced through two measures: first, 30 per cent. of the personnel of an establishment may be hired for a fixed period of time and social charges on such hires are reduced by 50 per cent., and second, social charges are eliminated for certain categories of trainees so as to encourage employers to provide training opportunities for the younger sector of Argentina's workforce. Finally, the country has established a system of unemployment insurance.

Participation and Unemployment Rates

	<i>Participation*</i>		<i>Unemployment**</i>		<i>Underemployment***</i>	
	<i>Rate</i>		<i>Rate</i>		<i>Rate</i>	
	<i>Greater Buenos Aires</i>	<i>Interior</i>	<i>Greater Buenos Aires</i>	<i>Interior</i>	<i>Greater Buenos Aires</i>	<i>Interior</i>
1987						
May	40.9%	37.3%	5.4%	7.1%	8.0%	8.7%
October	40.0	37.3	5.2	6.6	7.8	9.6
1988						
May	40.4	37.2	6.3	7.0	9.2	8.7
October	40.5	37.6	5.7	6.8	7.4	9.0
1989						
May	41.9	37.5	7.6	9.8	8.5	10.8
October	40.8	37.0	7.0	7.2	8.0	9.3
1990						
May	40.9	36.6	8.8	8.3	8.4	10.9
October	40.3	36.9	6.0	6.7	8.1	10.4
1991						
May	40.9	37.5	6.4	7.9	7.7	9.9
October	40.8	37.6	5.3	7.0	7.0	9.4
1992						
May	41.4	37.6	6.6	7.3	7.6	9.5
October	41.7	38.1	6.7	7.6	7.3	9.4

* Participation rate = active population/total population.

** Unemployment rate = unemployed population/active population.

*** Underemployment rate = underemployed population/active population. Workers are defined as underemployed if they work fewer than 35 hours per week and wish to work more.

Source: INDEC.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Argentina's exports have historically been concentrated in primary products and agricultural manufactures (mainly processed agricultural products), though industrial manufactures have been increasing in value and as a percentage of total exports in recent years. Intermediate goods, meanwhile, have historically accounted for the majority of Argentina's imports. The table below sets forth the composition of Argentina's major exports and imports in 1988-1991.

Composition of Exports and Imports

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992*</u>
	(\$ millions)				
<i>Exports</i>					
Primary Products	2402	2044	3339	3301	3460
Cereal	922	1016	1374	1067	1531
Seeds	634	211	828	1081	786
Fish	249	259	300	200	315
Wool	90	66	94	55	41
Other	507	492	743	898	787
Manufactured Goods of					
Agricultural Origin	3943	4006	4664	4927	4812
Edible Oils and Fats	921	876	1151	1221	1130
Meat	607	716	873	892	768
Residues	1443	1335	1200	1270	1456
Hides and Skins	383	374	488	514	460
Other	589	705	952	1030	998
Manufactured Goods of					
Industrial Origin	2633	3186	3364	2983	2737
Basic Metals	913	1239	1163	912	625
Chemicals	458	487	523	503	518
Machinery & Equip	384	430	486	562	500
Transport Equipment	171	190	223	266	389
Other	707	840	969	740	705
Fuel and Energy	<u>157</u>	<u>343</u>	<u>985</u>	<u>766</u>	<u>909</u>
Total	<u>9135</u>	<u>9579</u>	<u>12352</u>	<u>11977</u>	<u>11918</u>
<i>Imports</i>					
Consumer Goods	272	221	330	1514	3204
Intermediate Goods	2581	2157	2069	3419	4733
Capital Goods	904	745	635	1435	3084
Parts & Accessories for					
Capital Goods	1053	700	691	1237	2586
Fuel	494	365	316	452	409
Motor Vehicles for Passengers	12	7	12	202	788
Other	<u>7</u>	<u>7</u>	<u>23</u>	<u>16</u>	<u>33</u>
Total	5323	4202	4076	8275	14837

Source: INDEC.

*Preliminary figures.

Argentina's largest single trading partner in 1992 was Brazil, which accounted for 13.2 per cent. of its exports and 22.5 per cent. of its imports. Its second largest trading partner was the United States, which accounted for 11.6 per cent. of its exports and 21.6 per cent. of its imports. Argentina also does a substantial amount of trade with Germany and the Netherlands. The tables below provides data on Argentina's geographic distribution of trade from 1988 to 1992 and balance of payments from 1987 to June 1992.

Geographical Distribution of Trade

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992*</u>
<i>Exports</i>					
United States	13.3%	13.0%	12.5%	10.3%	11.6%
Japan	3.6	3.6	3.9	3.8	3.1%
Germany ⁽¹⁾	5.3	5.4	7.1	6.1	6.1
Italy	3.7	3.6	3.6	4.8	4.3
Netherlands	11.9	10.8	8.9	11.1	10.2
China	4.0	4.1	3.3	2.1	1.1
Brazil	6.7	7.1	11.6	12.4	13.2
USSR/CIS	9.4	9.6	7.4	1.9	0.9
Rest of World	42.1	42.8	41.7	47.5	49.5
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992*</u>
<i>Imports</i>					
United States	17.2%	17.9%	23.7%	22.6%	21.6
Japan	6.6	6.2	4.3	4.7	4.7
Germany ⁽¹⁾	11.4	11.0	13.3	8.8	7.3
Italy	5.8	5.9	6.8	4.3	5.2
Netherlands	1.8	1.7	1.4	1.8	1.3
China	0.2	0.2	0.2	0.7	1.1
Brazil	18.3	17.8	13.1	18.4	22.5
USSR/CIS	0.3	0.3	0.5	0.2	0.2
Rest of World	38.9	39.5	36.7	38.5	36.1
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) 1990-1992 export and import shares for Germany include the former East Germany.

* Preliminary.

Sources: IMF and Ministry of Economy.

Balance of Payments

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<i>First nine months of</i> <u>1992</u>
	(\$ millions)					
Exports	\$ 6,360	\$ 9,134	\$ 9,573	\$ 12,354	\$ 11,972	\$ 9,135
Imports	-5,820	-5,324	-4,199	-4,079	-8,274	-10,687
Trade Balance	540	3,810	5,374	8,275	3,698	-1,552
Nonfinancial Services	-282	-255	-265	-321	-925	-840
Interest and Dividends	-4,485	-5,127	-6,422	-6,122	-5,634	-3,302
Transfers	-8	0	8	71	29	-25
Current Account	-4,235	-1,572	-1,305	1,903	-2,832	-5,719
Direct Investment	-19	1,147	1,028	2,008*	2,439***	2,446††
Trade Finance (net) ⁽¹⁾	-658	-1,028	-2,347	451	1,764	2,426
IBRD/IBD	710	386	414	489	312	-165
Other ⁽²⁾	189	-341	-4,579	-4,172	-5,264	2,974
Capital Account	222	164	-5,484	-1,224	-749	7,681
Change in Net International Reserves	-4,013	-1,408	-6,789	679	-3,581****	1,962
Change in gross Banco Central assets ⁽³⁾	1,274	-1,961	1,559	-2,751	-2,728†	-2,183
Bonex Issuance (net)	99	-300	3,304**	-113	60	-209
Change in Arrears	39	2,344	2,927	1,912	1,788	618
IMF (net)	614	18	-485	-185	-516	28
Paris Club (net)	384	151	1,402	372	697	229
Commercial Banks	1,244	454	-55	-114	-	-
Other	359	702	-1,863	200	4,280****	-445
Sources of Finance	4,013	1,408	6,789	-679	3,581	-1,962
International reserves at year end:						
Gold (national valuation)	1,421	1,421	1,421	1,376	1,430	1,511
SDRs	0	38	237	107	224	-558
Foreign exchange and ALADI	1,597	3,520	1,762	4,688	6,231	8,847
Bonex	-	-	-	-	1,089	991
Total	\$ 3,018	\$ 4,979	\$ 3,420	\$ 6,171	\$ 8,974	\$ 10,791
Per cent. of imports ⁽⁴⁾	52%	94%	81%	151%	109%	101%

(1) Includes changes in trade credit and deposit facility.

(2) Includes errors and omissions.

(3) Increase in assets carries negative sign.

(4) Imports measured on cost insurance and freight (cif) basis.

* Includes \$1,703 million corresponding to asset sales.

** Includes \$2,922 million issued in December 1989 to retire domestic fixed term deposits public debt of an equivalent amount. As this transaction resulted in no actual cash inflow, a negative accounting offset is included in "other" in the capital account.

*** Includes \$1,974 million corresponding to asset sales.

**** Includes \$4,352 mill. for restructuring of domestic bonds denominated in foreign currency.

† Includes gold, cash, deposits, ALADI, Brazilian interbank agreement and Bonex subscribed by Banco Central, valued at market prices.

†† Includes \$1,293 million corresponding to asset sales.

Source: Banco Central.

In 1987, exports fell by over 7 per cent., principally as a result of declining shipments of primary goods, and major grain exports declined by 27 per cent. as tonnage shipped fell sharply. Imports, however, reached their highest level in five years, with a 23 per cent. increase. The fall in the trade surplus was partially offset by a smaller services deficit, but the current account deficit deepened to \$4.2 billion. Consequently, Argentina experienced a \$4.0 billion deficit in its balance of payments, measured as the change in net international reserves, which represented a \$1.9 billion deterioration from the previous year and was the largest deficit during the 1983-87 period. The deficit was mainly financed with a new money operation negotiated with the advisory committee of banks, IMF disbursements and a Paris Club restructuring of bilateral official debt.

In 1988, the balance of payments strengthened, registering an overall deficit of \$1.4 billion. Merchandise trade was in surplus by \$3.8 billion, a major recovery from 1987. Exports grew by 44 per cent.,

caused by an increase in volume and prices, while imports fell by 9 per cent. due to lower volumes. Higher international interest rates, however, raised the deficit in net interest and dividend payments. The overall deficit was mainly financed by bank creditors and the IMF during the first quarter of the year but with arrears for the remainder of the year after the suspension of payments to banks starting in April.

The 1989 balance of payments ended with a \$6.8 billion deficit. The trade surplus continued to grow, reaching \$5.4 billion. Exports grew by 5 per cent. as higher prices offset declining volumes. Imports fell by 21 per cent. The growth of the trade surplus also permitted a reduction of the current account deficit to \$1.3 billion in spite of higher international interest rates. The overall worsening of the balance of payments, therefore, was concentrated in the capital account. Part of this deterioration was due to a loss of \$2.3 billion in trade financing, but the remainder was explained mainly by the accounting effect of the exchange of domestic debt for external debt associated with the Bonex Plan in December 1989. The issue of \$2.9 billion of new Bonex did not create an actual cash inflow; thus, it had to be offset in the balance-of-payments statistics with a negative accounting entry in the capital account.

In 1990, the trade surplus widened further to \$8.3 billion, the largest ever recorded in Argentina. Exports increased by 29 per cent. due to good harvests and slack domestic demand for manufactured goods, while imports declined for the fourth year in a row, reflecting a depressed domestic economy. The trade surplus, combined with a smaller services deficit, moved the current account into surplus by \$1.8 billion, which more than offset the capital account deficit.

In early 1991, the Menem government reduced import tariffs and eliminated most non-tariff barriers. Tariff rates were lowered to 22 per cent. on manufactured goods (other than automobiles and electronic goods, which are subject to a 35 per cent. rate), to 11 per cent. on intermediate goods, and to zero on raw materials and capital goods. In late 1992, import tariffs were reduced further and are now 20 per cent., 10 per cent. and 0 per cent., respectively. As a result, Argentina's average tariff rate has been reduced from 18 per cent. to 10 per cent. Export taxes, which had averaged 11 per cent., were (with the exception of taxes on sunflower seeds and soybeans) eliminated on 22nd March, 1991.

The trade balance for 1991 was \$3.7 billion. During the last months of 1991 and beginning of 1992, the significant increase of imports resulted in quarterly deficits. Imports of capital goods increased by 126 per cent. in 1991 and 114.9% in 1992. Imports of consumer goods in 1991 grew by 358.8 per cent. and 111.6 per cent. in 1992. With respect to the performance of exports, traditional agricultural exports were lower in 1991 than in the previous year while industrialized agricultural products' exports increased by 5.6 per cent. and produced a global decrease of 3.1 per cent. In 1992, traditional agricultural exports increased by 4.8 per cent. while industrialized agricultural products decreased by 2.3 per cent. Agricultural exports accounted for 69 per cent. of total exports during 1992. Preliminary figures for 1992 indicate a negative trade balance of \$2.9 billion.

FINANCIAL SYSTEM

As of 30th April, 1992, the Argentine financial system consisted of 160 commercial banks and numerous investment banks, mortgage banks, savings banks and credit unions. 30 of its commercial banks were state-owned, and 29 were foreign-owned institutions. The total number of institutions was 212. Commercial banks dominate the financial system: as of 30th April, 1992, about 76 per cent. of the financial system's \$34 billion loans and 95 per cent. of the system's \$20 billion deposits were accounted for by commercial banks. The table below presents data on the Argentine financial system as of 30th April, 1992.

The Argentine Financial System

<u>Type of Institution</u>	<u>Number</u>	<u>Loans</u>	<u>Deposits</u>
		<i>(per cent. of total)</i>	
Commercial banks	160	76.1%	94.8%
Official	30	39.7	39.9
Private domestic	101	24.4	38.4
Private foreign	29	12.0	16.5
Investment banks	3	0.1	0.1
Mortgage banks	1	12.2	0.3
Development banks	1	8.1	0.6
Savings Banks	1	2.4	2.8
Non-bank financial firms	46	1.1	1.4
Finance companies	26	1.0	1.3
Credit unions	18	0.1	0.1
Savings societies	<u>2</u>	<u>0.0</u>	<u>0.0</u>
Total	212	100.0%	100.0%

Source: Banco Central.

Commercial banks offer customers demand deposits, savings accounts and fixed-rate deposits that pay market rates of interest. In August 1989, banks were allowed to offer dollar-denominated accounts. Since their inception, such accounts have increasingly attracted deposits and by year-end 1992 accounted for about 75 per cent. of bank deposits in pesos. Loans are generally extended by commercial banks to nonbank borrowers and other banks only under strict terms, and are often collateralized with liquid assets.

During the 1987 to 1990 period, the financial sector represented around 8 per cent. of GDP. The growth rate for the financial sector during this period was less than 1 per cent.; in 1989 the financial sector declined by 2.5 per cent. and in 1990 by an additional 2 per cent. The Argentine banking market suffered from overcapacity and many banks experienced financial difficulties. However, as a result of failures and mergers, Argentina has 47 fewer commercial banks than it did in 1980, and together with the recent expansion in the economy and the increased range of services offered by the financial sector, the sector as a whole is improving. Efficiency and profitability have improved and deposits and loans increased by 200 per cent. and 100 per cent. in nominal terms respectively in the period from December 1990 to April 1992.

Argentina's financial institutions are regulated by Banco Central, which was founded in 1935 and owned jointly by the government and private banks and became a wholly-owned government institution in 1946. Banco Central holds the nation's gold and foreign exchange reserves and has acted as financial agent for the federal government. Since its creation, Banco Central has controlled the issue and circulation of money, set interest rates and reserve requirements, and has regulated and pegged exchange rates. The Convertibility Law, however, eliminated Banco Central's discretionary control over the monetary base.

The government has implemented a series of reforms of the financial system, with particular emphasis on the official sector. A bill providing for modifications of the Banco Central's Carta Organica was recently approved by Congress. The principal modifications are described above under "The Convertibility Plan". In addition, international trade financing was transferred from Banco Central to Banco de Inversion y Comercio Exterior (BICE), the restructuring of Banco Nacional de Desarrollo is in progress and Banco Hipotecario Nacional was transferred into a wholesale bank. Commercial banks are being required to observe the Basel Committee guidelines regarding capital requirements, since a new set of measures came into force in August 1991.

With respect to public-sector banks, the following proposals are currently under consideration: (a) the restructuring of the Banco de la Nacion Argentina (including the closing of low-volume branches) and (b) the privatization of Caja Nacional de Ahorro y Seguros.

SECURITIES MARKETS

Argentina has active government bond and equities markets with a total market capitalization of \$25.9 billion as of 30 November, 1992, and a developing corporate bond market. The markets are regulated by the National Securities Exchange Commission (Comision Nacional de Valores or "CNV") created in accordance with Law 17,811. The CNV, which was organized along the lines of the Securities and Exchange Commission in the United States in 1937, became autonomous in 1968. It regulates all agents that transact 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. Substantial reforms are being introduced in the capital markets to promote foreign investment. A framework has been devised to permit the introduction of new, non-bank financial products into the capital markets, including projects for the creation of commercial paper market, a market for negotiable instruments and a futures or options market. To promote activity in the stock market, the government has ceased the regulation of brokerage fees and has eliminated transfer taxes and stamp taxes on securities transactions. In addition, a new mutual funds law was passed by Congress in 1992, which allows greater flexibility in the portfolios of permitted investments of mutual funds. Several rating agencies are presently in operation. The integration of various Argentine regional stock exchanges is also being discussed. The table below sets forth data on the market capitalization of Argentina's securities markets.

Market Capitalization*

	1989		1990		1991		1992		
	<i>October</i>	<i>March</i>	<i>October</i>	<i>March</i>	<i>October</i>	<i>March</i>	<i>May</i>	<i>August</i>	<i>November</i>
	<i>(\$ billions)</i>								
Government Bonds	\$4.3	\$6.1	\$ 7.8	\$ 7.4	\$ 8.1	\$ 9.8	\$ 9.9	\$10.5	\$10.4
Equities	4.7	2.7	3.2	5.2	14.1	25.7	32.1	20.1	15.5
TOTAL	\$9.0	\$8.8	\$11.0	\$12.6	\$22.2	\$35.5	\$42.0	\$30.6	\$25.9

* Month-end figures.

Sources: Banco Central and CNV.

Additionally, \$2.4 billion of corporate bonds were outstanding as of 30 November, 1992.

The Government Bond Market

The Argentine bond market is dominated by the national government's securities, especially the Bonex, which are dollar-dominated and highly liquid securities.

Prior to 1989, the Argentine government had issued a variety of indexed, austral-denominated securities that traded in liquid markets. On 28th December, 1989, however, all government securities other than Bonex were refinanced pursuant to the Bonex Plan into Bonex 89. Subsequently, the Argentine government issued three austral-denominated instruments: BIC ("Bono de Inversion y Crecimiento"), BOCE ("Bono de Consolidacion Economica") and BOCREX ("Bono de Credito a la Exportacion"). On 10th September, 1991, holders of BOCREX were given the option to exchange their bonds into a new government security, BOTE ("Bonos del Tesoro"). The table below presents data on Argentine public bonds issued and publicly held in 1991 and 1992.

PUBLIC BONDS¹
(in millions of US\$)

	Issued		Public Holdings	
	<u>1991</u>	<u>1992^{**}</u>	<u>1991</u>	<u>1992^{**}</u>
BOCE II & III	73	6	73	6
BOCREX, I, II & III ²	105	114	105	114
BIC 89, I, III & IV ²	294	324	294	324
BIC V	1,075	1,043	1,075	1,043
BOCATE	15	9	15	9
BOCON (Social Security) ^{3 4}	0	3,888	0	3,888
BOCON (Suppliers) ^{3 4}	0	2,131	0	1,331 [*]
BOTE I	1	1,762	1	1,762
BOTE II	0	158	0	158
BOTESO - 5 & 10 YEARS	0	0	0	0
BONEX 82	374	0	374	0
BONEX 84	373	250	373	250
BONEX 87	746	625	511	428
BONEX 89	4,345	3,810	3,303	3,130
BONEX 92	0	1,000	0	0
Euronotes 11 %/93	200	200	200	200
Euronotes 9.5 %/93	300	300	300	300
Euronotes 8.25 %/97	0	250	0	250
Other Public Debt to be Consolidated ⁵	<u>18,445</u>	<u>9,609</u>	<u>0</u>	<u>0</u>
TOTAL	26,346	25,480	6,624	13,193

¹ Already issued or in process.

² Net of Bonds applied to payment of trade tariff.

³ Includes interest capitalization.

⁴ Does not include a) fiduciary accounts for purchases from SEBGA's privatization or b) debt-to-equity swaps from Gas del Estado privatization. Includes US\$764 million "Bonos de Cancelacion de Regalias Hidrocarburiferos."

⁵ Outstanding Debt.

* Excludes about US\$800 million "BOCON Iera Serie" in Y.P.F. portfolio.

** Preliminary Data

Bonex are traded in the over-the-counter market ("OTC"), which represents 98 per cent. of the market, and on the Buenos Aires Stock Exchange which has the remaining 2 per cent. of the market. The volume negotiated in the OTC decreased after the implementation of the Bonex Plan from an average of \$702 million per month in 1989 to an average of \$500 million per month in 1990 but recovered to previous levels during 1991. In 1992, the volume increased substantially and in August 1992, \$3,787 million of Bonex were traded. Their prominent role in the domestic financial market gives them quasi-currency status, and disruptions to their servicing would prove disruptive to the Argentine financial system.

All Bonex series were offered to the market by the National Treasury of Argentina by public auction or open market operations, except for the 1989 issue, which resulted from a refinancing of the public debt outstanding in local currency. On 4th September, 1992, authorization was given for the issue of up to \$1,000 million of Bonex 92. Approximately \$600 million of Bonex 92 were allocated to Banco Central and the Social Security System for capitalization purposes.

Corporate Bonds

With the adoption of Law 23,576 on "Obligaciones Negociables" in July 1988, the corporate bond market started to develop in Argentina. This Law was modified according to Law 23,962 of August 1991. Corporate bonds are issued in bearer or registered form, may be indexed (subject to the Convertibility Law), and may be repaid in local or foreign currency. Rates on corporate bonds may be fixed or floating, and vary substantially with market conditions and the creditworthiness of the issuer. Most "Obligaciones Negociables" are denominated in U.S. dollars. \$2.4 billion of corporate bonds were outstanding as of December, 1992.

Equities

The Argentine equities market is regulated by the CNV, the Bolsas de Comercio (Stock Exchanges) and the Mercado de Valores and Caja de Valores (clearing house). There are 12 stock exchanges in Argentina, of which six are authorized to quote securities: Buenos Aires, La Plata, Cordoba, Mendoza, Rosario and Santa Fe. The oldest and largest is the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires—or "BASE") founded in 1854. As set forth in the table below, the Argentine equities market, which had a capitalization of \$5.2 billion at the time the Convertibility Law was introduced, reached a capitalization of \$32.1 billion in May 1992. This level declined in the following months, but improved by the end of the year, with a market capitalization of \$23.1 billion.

Argentine Equities Market*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Market capitalization (\$ billions)	\$ 1.0	\$ 2.0	\$ 2.9	\$ 3.3	\$ 18.5	\$ 23.1
Volume (\$ millions)	\$ 201	\$ 423	\$ 1,003	\$ 788	\$ 4,827	\$ 1,851
Number of listed companies	206	194	184	181	170	173
Rate of return in dollars	6.2%	98.8%	69.6%	2.9%	361%	25.0%
Market/Book Ratio***	0.32	0.25	0.40	0.38	1.59	1.38

* End-of-period figures.
Source: CNV.

Of the various institutions that are members of the BASE, the Mercado de Valores is the most important. This institution has the operating responsibility over all the transactions performed by the stock brokers. Transactions executed at the BASE are guaranteed by the Mercado de Valores. Most government securities and equities traded in the BASE are cleared through the Caja de Valores S.A., which is owned 99.9 per cent. by the BASE and the Mercado de Valores de Buenos Aires.

To be a broker on the BASE, it is necessary to have a seat on the exchange, which is acquired by purchasing one share in the Mercado de Valores de Buenos Aires S.A. There are 250 shares issued, 90 per cent. of which are owned by about 225 brokers who use them to trade on the BASE. In the past, these shares could be held only by individuals, but changes approved by the CNV now allow any corporation to purchase these shares and act as stock brokers.

Individuals constitute the largest group of investors in Argentina's equity markets. Banks and insurance companies have shown only limited interest in the markets, and Argentina's 30 mutual funds control only a small (less than two per cent.) share of the market. The increase in size of the assets of Argentine institutional pension funds which will follow from the reform of the social security laws is expected to have an important impact on the stability of, and level of activity on, the BASE.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

The Argentine foreign exchange market was highly controlled up to December 1989, when a free exchange rate was established for all foreign currency transactions. In the past, Argentina has had various exchange control policies, ranging from totally controlled to free markets. However, dollars could always be remitted abroad legally through the purchase of Bonex (dollar-denominated, 10-year external bonds issued by Banco Central) with pesos (or formerly australs) and subsequent sale of the same Bonex for dollars abroad. The Bonex are quoted on the Buenos Aires Stock Exchange and may currently be transferred freely within and outside of Argentina. The table below sets forth average historical exchange rates.

Exchange Rates

	<i>Spot rate</i>	<i>Real rate</i>	
	<i>australs/pesos per dollar</i>	<i>index 1986=100</i>	
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>
1987	2.15	103.0	110.6
1988	8.78	98.3	109.5
1989	392.53	133.1	146.6
1990	4,877.15	90.1	107.1
1991	9,535.25	67.1	80.0
1992			
January	0.9905	64.9	79.2
February	0.9908	64.4	78.1
March	0.9916	63.7	76.2
April	0.9906	63.2	76.0
May	0.9905	62.9	75.5
June	0.9908	62.5	77.0
July	0.9907	61.9	77.6
August	0.9906	61.6	78.0
September	0.9910	61.4	77.7
October	0.9915	61.1	75.7
November	0.9950	61.7	74.6
December	0.9910	61.8	n.a.

(a) On 1st January, 1992 the austral was replaced by the peso at a rate of 10,000 australs to one peso.

(b) Real exchange rate versus U.S. dollars only.

(c) Real exchange rate of a basket of twenty currencies from different countries weighted as to their international trade share with Argentina.

n.a. = not available

Source: Banco Central.

On 1st January, 1992, the Argentine currency, the austral, which was introduced by Alfonsín in 1985, was changed to the new denomination of peso at the rate of 10,000 australs per peso. Under the Convertibility Law, Banco Central is obliged to maintain sufficient liquid international reserves to support the monetary base and to sell U.S. dollars to any person who so requires at a rate of one peso per U.S. dollar. Banco Central's international reserves are composed of gold, cash, deposits, sight deposits, fixed-term deposits, its net ALADI claims and its Bonex holdings.

Key participants in the foreign exchange market are major banks, exporters and importers. Banco Central is also an active player in this market so as to offset abrupt price variations, regulate the market liquidity and purchase dollars for the country's international reserves.

The current account, together with an increase in private capital flows, produced a \$3.5 billion increase in Argentina's international reserves in 1991, to \$9.0 billion. As of December 1992 the international reserves stood at \$12.5 billion. The relatively large reserves have facilitated the government's maintenance of the fixed exchange rate established in March 1991. Since January 1992, the spot peso-U.S. dollar rate has fluctuated within a one per cent. band.

Under the government's medium-term program agreed to with the IMF, the convertibility scheme will maintain the present fixed exchange rate of one peso per U.S. dollar. Continuing the previous year's trend, the peso gradually appreciated in real terms during 1992. The current exchange rate, despite the overvaluation of the peso, remains competitive as the removal of export taxes, deregulation and other structural reforms have resulted in lower costs for exporters whose ability to compete has accordingly improved. A new rebate scheme for exports was introduced in November 1992 in order to improve export competitiveness.

SUBSCRIPTION AND SALE

The USD Discount and Par Bonds will be issued pursuant to the Discount and Par Bond Exchange Agreement and the Floating Rate Bonds will be issued pursuant to the Floating Rate Bond Exchange Agreement only to holders of Eligible Debt and Eligible Interest outstanding under certain credit agreements of Argentina and its public sector obligors, in consideration for the tender by such holders of Eligible Debt or Eligible Interest in exchange for Bonds. Eligible Debt will be exchanged for USD Par Bonds at par and for USD Discount Bonds at a 35% discount from par. Eligible Interest will be exchanged for Floating Rate Bonds at par. For these purposes, Eligible Debt or Eligible Interest not denominated in U.S. dollars will be converted into U.S. dollars at the rates set forth in the Discount and Par Bond Exchange Agreement and the Floating Rate Bond Exchange Agreement, respectively.

It is anticipated that, except as described in "Description of the USD Discount and Par Bonds", "Description of the Bearer Floating Rate Bonds" and "Description of the Registered Floating Rate Bonds" above, the closing and delivery of the Bonds will take place on April 7, 1993.

The Bonds have not been registered under the Securities Act and may not be offered or sold directly or indirectly in the United States of America, its territories or possessions, or to or for the account of any U.S. Person except pursuant to an effective registration statement under such Act or in a transaction not requiring registration under such Act. Each Purchaser has agreed that it has not and will not offer, sell or deliver any Bond within the United States or to U.S. Persons, except in compliance with the restrictions and procedures set out in each Bond and the fiscal agency agreement pertaining thereto.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

All applicable provisions of the Financial Services Act 1986 of the United Kingdom must be complied with in respect of anything done in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Bonds may not be directly or indirectly offered, sold or delivered, and this Information Memorandum may not be distributed, in any jurisdiction except in compliance with applicable law.

Reference should be made to the Bonds, the USD Fiscal Agency Agreement and the Floating Rate Bond Fiscal Agency Agreement for a complete description of the restrictions on offers, sales and deliveries of Bonds within the United States or to U.S. Persons and the distribution of this Information Memorandum.

GENERAL INFORMATION

1. The issuance of the Series L Bonds was authorized in accordance with Decree No. 2321 dated December 4, 1992 and Decree No. 407 dated March 11, 1993 signed by the President of the Republic of Argentina.

2. Copies of the Collateral Pledge Agreement, the USD Fiscal Agency Agreement and the Floating Rate Bond Fiscal Agency Agreement, in substantially the form in which they will be executed, may be examined prior to the issuance of the Series L Bonds, by any holder of Eligible Debt or Eligible Interest, or its agent or representative, at the corporate trust office of Citibank, N.A. in New York City, Citibank, N.A. in London and of Citibank (Luxembourg) S.A. in Luxembourg. After the date of issuance of the Series L Bonds, copies of the agreements may be examined by any holder of Series L Bonds at the office of the Fiscal Agent in New York City and at the offices of the paying agents for the principal of the Series L Bonds. Whenever particular provisions of the Series L Bonds or these agreements are referred to or described herein, the statements are qualified in their entirety by reference to the Series L Bonds or these agreements. The holders of the USD Discount and Par Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions contained in the Collateral Pledge Agreement and the USD Fiscal Agency Agreement. The holders of the Floating Rate Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions contained in the Floating Rate Bond Fiscal Agency Agreement. A copy of the Annual Economic Report of Banco Central de la Republica Argentina may be examined at the offices of Citibank (Luxembourg) S.A. in Luxembourg.

3. Application has been made to list the Series L Bonds on the Luxembourg Stock Exchange. There is no intention to organize formally any other market.

4. The Series L Bonds not bearing Securities Act Legends have been assigned the following Common Code and ISIN numbers.

	<u>Common Code</u>	<u>ISIN No.</u>
Series L USD Discount (global)	004311817	XS-004311817-2
Series L USD Discount (definitive)	004311833	XS-004311833-9
Series L USD Par (global)	004311914	XS-004311914-7
Series L USD Par (definitive)	004311957	XS-004311957-6
Series L Bearer Floating Rate (temporary/permanent global)	004312023	XS-004312023-6
Series L Registered Floating Rate (permanent global)	004312058	XS-004312058-2
Series L Bearer Floating Rate (definitive)	004312066	XS-004312066-5
Series L Registered Floating Rate (definitive)	004312082	XS-004312082-2

5. The Bearer Floating Rate Bonds and the coupons will bear the following legend:

"Any United States Person (as defined in the United States Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided under Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that United States taxpayers, with certain exceptions, will not be entitled to deduct any loss on the Bearer Floating Rate Bonds or coupons and will not be entitled to capital gains treatment of any gain on any sale or exchange of the Bearer Floating Rate Bonds or coupons.

6. Banco Central de la Republica Argentina will give an undertaking in the Banco Central Undertaking to the Fiscal Agent, the Closing Agent, the Agents under the USD Fiscal Agency Agreement and the Floating Rate Bond Fiscal Agency Agreement, the Purchasers under the Discount and Par Bond Exchange Agreement and Floating Rate Bond Exchange Agreement and the holders of USD Discount and Par Bonds, DMK Bonds and Floating Rate Bonds (the "Bonds") to, inter alia, exchange for U.S. dollars or Deutsche Mark

(each a "Principal Bond Currency") such funds as are transferred to it by the Republic in connection with the Bonds, the Principal Bond Agreements (as defined in the USD Fiscal Agency Agreement) and the Bond Agreements (as defined in the Floating Rate Bond Fiscal Agency Agreement), subject to certain conditions in respect of Principal Bond Currencies not being freely available in the market, Principal Bond Currencies being available to Banco Central and the prior transfer by the Republic to Banco Central of the equivalent in pesos of the Principal Bond Currencies. The Banco Central Undertaking was authorized by Resolution No. 593 dated December 2, 1992 and Resolution No. 98 dated March 3, 1993 of the Board of Directors of Banco Central.

ISSUER

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